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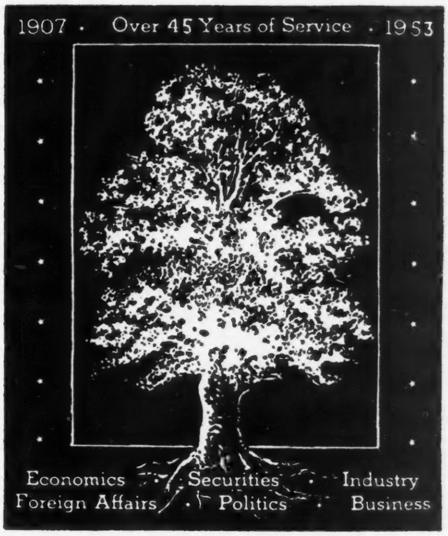
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

PRE-VIEW OF ADMINISTRATION'S FINANCIAL POLICY ...On authentic information from Washington, it is learned that the President has reached a conclusion as to the general form of his tax-budget recommendations to Congress. Apparently, a decision has been made that the budget will have to remain out of balance through fiscal 1956, but that the deficits will be limited to $3-$4 billion. This means that automatic tax cuts, beyond those expiring December 31 (EPT and the 11% income tax increase), will not be forthcoming. From all appearances, taxes, aside from the two changes mentioned, will be approximately the same in 1954 as this year, barring some adjustments in excise taxes.

The meaning of all this is that further cuts in taxes will have to await a genuine reduction in defense expenditures but from present indications this will not be possible on a significant scale until a year from now. This is inevitable as long as the cold war continues to demand continued heavy preparedness on our side. Under the circumstances, the best the President can do is to hold the deficit down to manageable proportions. If, in the meantime, he has been able to lay the foundations for an eventually balanced budget, he will have accomplished all that can be expected for the present.

MUTUAL FUNDS...The present is a period of fairly extensive adjustment in the security markets in response to changing business conditions. If carried much further, these adjustments are bound to be reflected in the operations of institutional investors who may be obliged as a result to make important changes in their portfolios. Among this group, the position and future of the so-called mutual fund organizations is of great interest on account of increasing public participation in these securities during recent years, mostly by individuals of small means. It is estimated that there are now about $2 billion invested in these securities.

Since this is a comparatively new field of investment in America, at least in its current phases, it is legitimate to inquire into the soundness of the policies by which these investments are managed.

The question to which students of the investment markets are seeking an answer is: how will mutual funds stand up in a period of declining business activity, employment and income? Thus far they have not had to meet this test in recent years. For that reason, only a conjecture of their future behavior under adverse conditions is possible. Some light, however, may be cast by knowledge of the main elements in their operation.

Basically, mutual funds depend on a constant flow of cash from new purchasers. This cash is forthwith invested in standard income-producing securities by their managers and the income thereby derived is redistributed, after certain charges, to the participants of the fund. As long as the new cash thus received is larger than the amounts demanded by holders who wish to cancel their hold-

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907 – *"Over Forty-five Years of Service"* – **1953**

ings, mutual funds can operate successfully.

If, however, the situation changed drastically and the public was compelled, through adverse circumstances, to cash in on their holdings on a large scale, the problem before the managers of the funds would be how to liquidate a sufficient portion of their portfolios to meet their new obligations without incurring too severe losses. In a rapidly falling market, the effects of such sales would be cumulative as it would cause other participants in the funds to retrieve as much of their investment as possible, thus bringing on further liquidation of the underlying securities of the funds. It would, of course, require a deep recession to bring about such an unfortunate situation. Nevertheless, it should be pointed out that mutual funds have not as yet had to meet this test and that until they do, it cannot be said that they have reached a stage of maturity.

TAX REVISION VITAL . . . In this unfortunate age in which we live, we resign ourselves reluctantly to high taxes. We understand the need for them and while we may grumble we accept our responsibilities as loyal Americans. However, this does not mean that we should sit by supinely when a particular levy is inequitable. We ought to feel free to speak up. There are many places where our tax structure could b improved without hurt to the government's power to collect the fullest amount of taxes needed to carry on its business. In fact, improvement here and there could result in benefits not only to individual groups of taxpayers who are unfairly treated but in the long run to the Treasury itself.

First, for the sake of long-overdue fairness to taxpayers as individuals, should come an end to double taxation of dividends. A corporation's income is taxed to the corporation in the first place, with rates starting at 52 per cent and rising dizzily. Whatever part of the residue goes to stockholders as dividends is taxed again at savagely progressive rates. A stockholder earning $10,000 a year knows that a company must earn $10 pre-tax, and pay out 60 per cent post-tax, for him to have just $2 for spending. The dividend receiver should not be taxed on the money that has already been taxed. Proposals to credit corporate taxes on a certain fixed sum in dividends may serve the practical purpose of reducing this load. There may be other means.

A larger issue than personal inequities, in the sense of its importance to the nation's industrial future, is that of rigid depreciation allowances. The strength of American industry—the secret weapon which took us into World War II industrially prepared to win—is the fact that inefficient means of production are discarded as soon as more efficient ones appear. Present depreciation policy—adopted as a New Deal revenue measure in 1934 and never rescinded—tends to penalize replacement for efficiency, and reward depreciation only upon actual collapse of the machine. The Internal Revenue Service sets up a schedule of depreciation, and the burden of proof is upon the taxpayer who wishes to depart from this iron table. Return to sensibly flexible depreciation will not reduce revenue over the long run, because a large charge in the early years of a machine's life will be balanced by a small one later. Actually, it won't reduce revenue much in the short run, because greater capital investment will be stimulated.

A third long-needed reform in revenue practice, to which reference has been made before in these columns, has to do with a manufacturer's excise tax. Federal revenues in this country are badly overbalanced in favor of taxing money as it is earned rather than as it is spent. The ratio is 85-15 in the United States, 50-50 in Canada where budget balancing is an achievement rather than a remote hope.

More money should be raised by excises and at the same time, the inequities should be taken out of the levy. Today the purchaser of the cheapest automobile pays an excise tax; the buyer of the most expensive yacht pays none. Instances could be multiplied. Averaged, there is now a manufacturer's excise tax of some 3 per cent on all the Amercan's purchases of tangible goods other than liquor and tobacco. This levy should be spread more evenly, and raised to perhaps 5 per cent as a starter.

Other flaws in the revenue laws are many. Once the principle is adopted, that there is no good to come from raising money by a bad tax, it should not be so hard for the committees of Congress to find them and put an end to them. It is the will that is needed.

"CO-OPERATIVE" APARTMENTS . . . The amazing growth in sales of so-called co-operative apartments, especially in and around New York City, has been one of the more striking developments of the real estate market, and is a direct consequence of the continued shortage of dwelling space. This has enabled some builders and speculative real estate interests to take advantage of the tight rental situation. Instead of putting up multiple-dwelling structures for rent to individual tenants, they now "sell" these apartments. The cash received from the new buyers is relied on to finance the original cost with a handsome profit to boot, with the risk neatly transferred from the seller to the new occupants. This, the seller has every right to do, of course. It is worth pointing out, however, that from the buyers' viewpoint, regardlesss of the personal satisfaction he may derive from finding a home for his family, his new financial obligation is being undertaken at a time of unprecedented high real estate prices. As a result, he may find at some future time that, as a straight financial proposition, he has paid too much for too little. Since most of these apartments are not of the so-called "luxury" class but are now found in abundance in suburban garden-type developments and bought by people of quite moderate means, the potential financial hazard alluded to is of general interest. A downturn in business that would result in lower income generally might easily bring disappointment to many new owners of these small co-operative units.

TREND OF CORPORATE PROFITS . . . Aggregate profits for American corporations for the first nine months of this year were considerably higher than for the corresponding period of 1952 but allowance must be made for the drop in profits during and directly after the steel strike. Comparisons between the two periods, consequently, must take this factor into consideration. Making full allowance, it is nevertheless indisputable that total earnings in the first nine months of this year (*Please turn to page* 292)

As I See It!

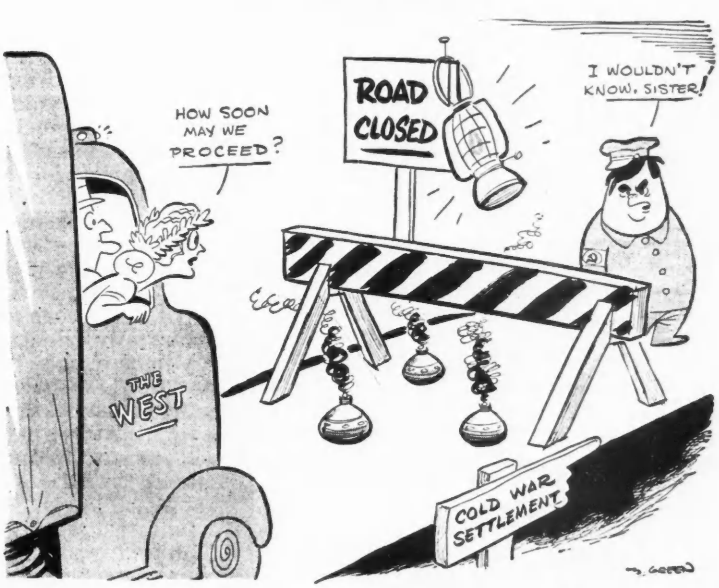
By E. D. KING

ONE MORE CHANCE AT BERMUDA

The forthcoming Bermuda Conference, which will be attended by President Eisenhower, Prime Minister Churchill and Premier Laniel together with their Foreign Ministers, will be an attempt to find common ground in the formulation of policies to solve their world-wide problems. In the language of the President, "if the conversations eliminate cause for friction, that will be all to the good."

There can be no doubt that since the death of Stalin, friction has increased and the alliance between the chief Western Powers has been severely strained. Churchill has been reluctant to give up his pet scheme of a meeting with Malenkov and the President has remained adamant in his thesis that such a meeting would produce more harm than good, unless the Soviets first showed "by deeds" that negotiations could be fruitful. The French premier, on the other hand, is leader of only a caretaker government which will expire shortly after the new French President of France is elected. His position is extremely weak both because his nation is harassed by economic problems arising from the Indo-china war, despite widespread American aid, and because the French have never made the necessary sacrifices in facing their financial and industrial problems. The Germans, in the meantime, have made a marvellous recovery, largely due to their enormous capacity for hard work and efficient organization. This places the French in the extremely uncomfortable position of asking for America assurance against a possible resurgence of German military power, despite the fact that such strength is vitally needed in the struggle against Soviet imperialism. This is an unrealistic position for the French to take; moreover, they cannot expect the President of the United States to back away from the goal of a strong European Defense Community, in which France must inevitably take part for her own security. A final solution of the French problem, in reality, is in the hands of France alone. If France will follow the example of Germany, which has had far greater handicaps after the end of the War, and adopt modern and effective techniques of government, and if they streamline their industrial and financial plant effectively, they will regain the strength, military and economic, that they need and they will, consequently, not have to be in such fear of their imposing neighbor. Further, a healthy France can quickly get rid of her home-grown communist plague.

"NO DETOUR, EITHER"



Green in the Providence R. I.

The British also come to Bermuda under a handicap, for their policies on Red China are greatly at variance with our own and yet, as events have shown, the British have been wrong. Churchill is aware of this as anyone else but he cannot easily change his position as long as the Labor opposition refuses to yield on this vital point. And yet, unless he agrees with President Eisenhower who will undoubtedly urge him to recast the British policies in Asia, which they cling to in the mistaken notion that their long-run trade interests are thus best served, it will be difficult to establish the necessary common ground for common policies.

The President, who also has his troubles at home, at least can go into the Conference with the full support of the American people on the over-all foreign policies of the Administration since he continues to enjoy their confidence as the only truly authentic spokesman for the free world. In any case, the President, with his vast military knowledge, will know how to protect the security of this nation whether or not he obtains cooperation (*Please turn to page* 290)

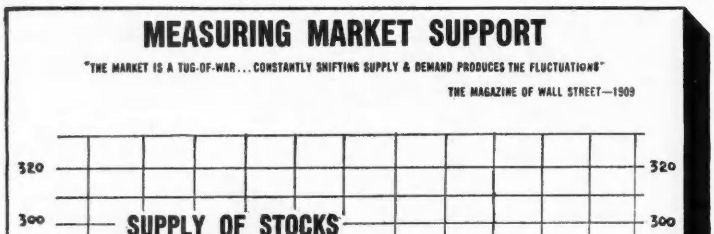
Market In New Testing Area

The industrial and rail averages receded indecisively over the last fortnight, although firming somewhat late last week. Utilities held well. For tax reasons cited below, a more significant market test may be met after the year end. There is no change in policy. Hold conservative reserves. Emphasize investment quality in making portfolio adjustments.

By A. T. MILLER

The September-November upswing in the stock market shows indication of having "run out of steam." The direction of the daily industrial and rail averages was moderately downward during most of the past fortnight. However, the pressure tended to dry up with shrinkage of trading volume, permitting a mild rebound toward the end of last week. On balance, both averages were off somewhat for the fortnight, but not to any particularly significant degree. Utilities backed and filled in a tight range, closing the period under review within a small fraction of recent best recovery levels.

If there is any "general trend" in this market, it is neither dynamic nor very sharply defined. Certainly it is not a bull market, the industrial and rail averages having put major tops behind nearly eleven months ago. That being so, it must be classed technically as a bear market. Yet it has to date remained so relatively moderate and selective that many prefer to call it a "trading-range" market.



Decisive Nearby Change Unlikely

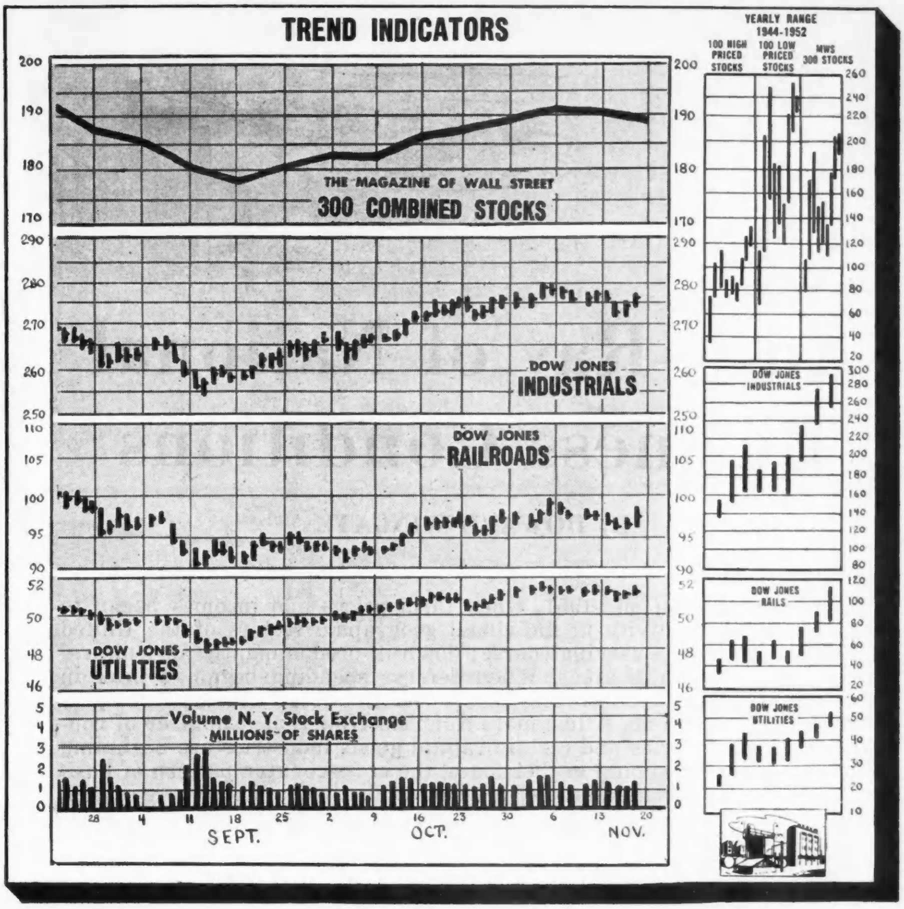
Up to this point in 1953 the maximum range of the Dow industrial average, from high to low, has been about 13%, that of the rail average roughly 19%, that of the utility average 11%. Barring some surprise-news sharply unsettling the market, these are probably the ranges for the full year. Tax selling over nearby weeks is not likely to have any great effect on the averages, since it comes down largely to switching operations. Nearing the year end, some seasonal improvement is normal expectation. With no strong general liquidating urge currently evident, and with the averages a fairly comfortable distance above the year's lows—recorded in September for the industrial and rail lists and last June for utilities—a close test or penetration of those lows would seem to be more likely after the turn of the year than before it.

At its early-November rally high, the industrial average had more than made up its August-September decline, bettering its summer-recovery high. As noted here in our discussion a fortnight ago, that is unprecedented autumn performance in bear-market years. At that high, the average had also made up nearly 62% of its entire January-September decline. In contrast, rails had made up, at their November 5 rally high, only some 61% of their prior sell-off running from July to mid-September; and less than 35% of the maximum decline from their major top of December, 1952. Following a different pattern, more in line with the bond market, utilities topped last March, declined into June, and, at rally double-highs recorded November 13 and 16 had recovered 61% of their total prior decline. At this point, after lapse of nearly eleven months, the industrial average is only some 6% under its bull-market top, compared with 13.8% for

rails. Utilities are only 4.4% under their bull-market high of last March.

The Factors at Work

There are conflicting forces at work, tending in considerable measure to balance out. Arguing for lower average stock prices are: (1) The fact that the previous mild recession in industrial production, amounting to only 4.5% (Reserve Board index) from March through October, has been showing a distinct acceleration in recent weeks; (2) the rise in the bond market, which has been a supporting factor for utilities and high-grade income stocks generally, has been checked; and (3) the fact that the market's technical position has been weakened by an eight-week recovery swing of substantial scope, which took the industrial and rail averages up to supply levels which are apparently formidable.



Why, then, has not greater market weakness developed under the test of reaction during this last fortnight? There may be a number of answers. (1) there is no surprise in the fact of quickening recession. It is in line with earlier expectations for the fourth quarter. At least in considerable measure, it has long been allowed for in price-earnings ratios, which are generally conservative, and in comparatively high average dividend yields on a historical perspective. (2) The continuing consensus, which cannot be proven right or wrong at the present time, that 1954 recession will be fairly mild, allowing for Government counter-measures in the form of tax relief, credit easing moves and otherwise. (3) The pause in the bond market is taken to be normal and temporary correction of the relatively large prior use. Moreover, (4) there is considerable confidence that, even allowing for materially lower earnings, 1954 dividends should make a relatively good showing. This takes into account present sub-normal pay-out rates, which almost certainly will become more liberal in 1954, with higher depreciation, and reduced outlays for expansion and inventories, tending to augment corporate cash holdings. Finally (5) there are tax considerations which merit attention in most of the remaining space available for this discussion.

Heavy Federal taxes on capital gains induce many investors, who would otherwise take profits, to sit tight. This is foolish and can be costly, depending on how vulnerable one's stock holdings are to cynical market declines—but it is a fact. Ordinarily it has no visible effect except to make for a thin market as a result of curtailed share turnover. Prices are, of course, made by actual buyers and sellers, whether relatively small in number or otherwise, not by potential buyers and sellers. However, the maximum tax on long-term capital gains will be about 3.85% lower after the turn of the year (25% against the present 26%); and the levy on gains taxed at regular income-tax rates will be about 10% lower after the end of this year. That applies to all net short-term gains. Moreover, in the case of long-term gains, the advantage of using the alternative rate (26% maximum) does not begin below the $28,000 taxable-income level for a joint return or $14,000 for a separate return. For many investors this means that available long-term gains can be cashed at 10% less tax cost after the year end than now.

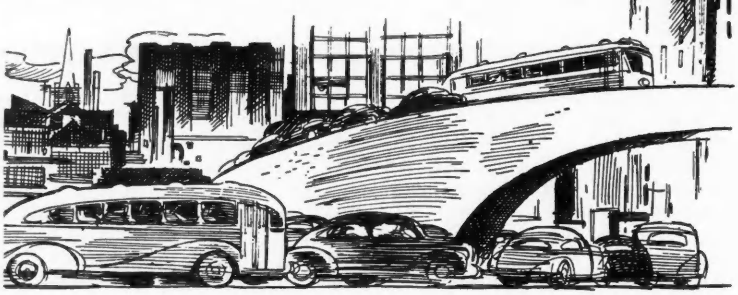
For the reasons cited, probably some selling which would otherwise be coming into the market now is being deferred at least to early January. How much impossible to say. This could tend to distort seasonal market behavior, making for less pressure than is often seen in November and early December in bear-trend or trading-range markets; and for less-than-average upward tendencies, if any, in the forepart of January, which in the past has brought some extension of year-end improvement.

We think prospects are relatively good for high-grade (defensive-type) income stocks, including utilities; inferior for the general run of cyclical and speculative stocks, including secondary rails; highly mixed for "representative" industrials of the type making up the Dow industrial average. There is no change in our policy. Continue to hold conservative liquid reserves. Monday, November 23

An X-Ray of National Business Conditions

By HOWARD WINGATE

Beginning in mid-1951, when farm prices and incomes began to decline, business activity in individual geographic sectors of the United States has pursued a varying course: down in predominantly agricultural areas, up in industrial areas. When defense spending began to peak in late 1952, geographic differences in the business trend became more pronounced, and at the same time more complex. Now that a number of consumer goods industries and certain capital goods industries are beginning to experience a slackening in their pace, the cross-country pattern of business activity has become a tangled mass of conflicting trends. Where several dclining industries are concentrated, areas have been hard-hit. In other sectors, offsetting changes have occurred, and income and employment seem to have been stabilized. In a very few other areas, basic growth forces are still at work, and incomes and markets are still expanding.



Tracing the cross-sectional pattern of American business is now a complicated job, for it is made up of declines in textile areas, both in New England and the South; of steep drops in cattle and wheat areas, which run through the Ninth, Tenth and Eleventh Federal Reserve Districts; of a faltering boom in some defense goods and in some consumer hard goods, production of which is concentrated in Pennsylvania and Indiana—the Third, Fourth and Seventh Districts. In Texas—the Eleventh District—the continuing strength of the petroleum industry is offsetting losses of income owing to the collapse of cotton prices.In the Pacific Northwest—part of the Twelfth District—increasing industrlalization is being neutralized by growing weakness in lumber activity and prices.

New England Conditions

The First Federal Reserve District, with headquarters in Boston, includes the whole of New England: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island and Connecticut. This old, largely industrialized and mature section of the country is among the more seriously hit in today's light recession. Income payments in the area are running slightly ahead of a year ago, but they are trending downward. Department store sales in the area are off about 6% from their boom peaks of the Spring of 1953. Retailers of hard goods — both furniture and appliances—report sales running moderately to substantially below a year ago. Unemployment in Massachusetts and Rhode Island is well above a year ago, and rising rapidly. Unemployment in Connecticut, while still small in amount, is also increasing. Of the six states in the area, only Vermont reports unemployment below a year ago.

In Rhode Island, machinery and fabricated metals industries appear to be responsible for much of the rise in unemployment: activity in these industries is off as much as 20% from a year ago. The jewelry industry, which is an important contributor to employment in the state, is still running about even with 1952. Construction activity in Rhode Island is declining.

In Massachusetts, and to a lesser extent in Maine, the combination of declining textile activity, and the tendency of the Northern textile industry to pick up and move South, has left a number of mill towns stranded. A few towns, such as Lawrence, Massachusetts, have found a new industry to take over abandoned textile mills, but the transition period has put a strain on the financial resources of labor. The footwear and pottery industries have also suffered some decline in activity and employment.

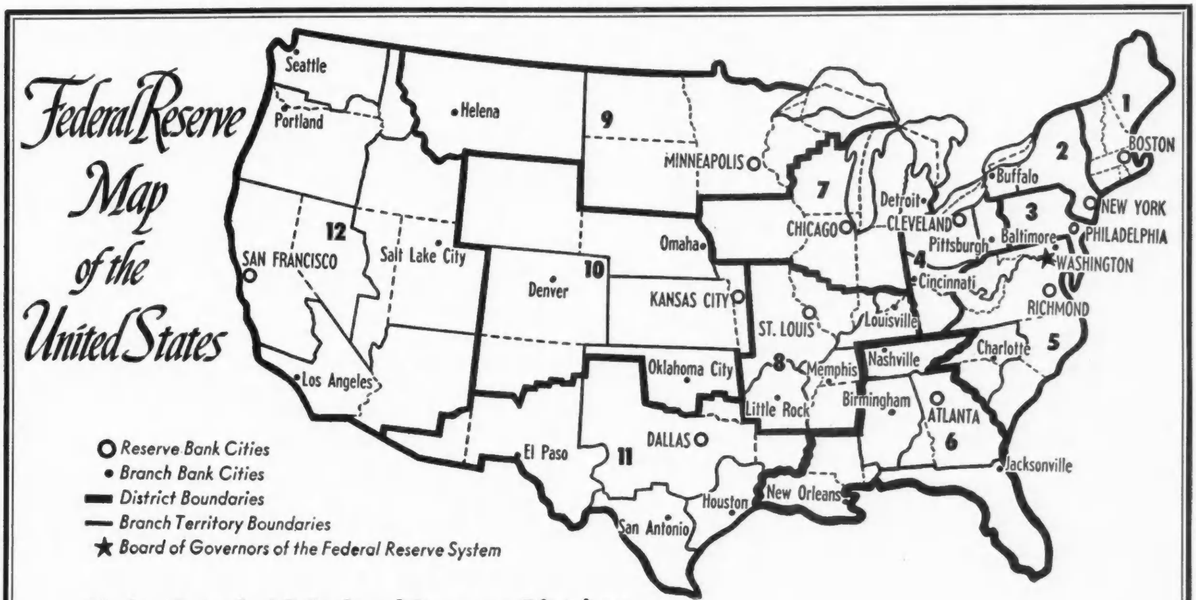
In Connecticut, the large proportion of service and financial activity (principally insurance) has added a large element of stability. But in the industrialized Bridgeport area employment has been subsiding since March of this year, and construction activity is running below a year ago.

The boom is clearly over in the Boston District. But its financial activities and the diversification of the area provide it with perhaps more than average resistance to recession (excepting only isolated areas which are still heavily dependent on textile employment). Moreover, the area has not participated in the 1952-1953 boom to the extent of most other areas, and its decline may therefore be slower.

The Second Federal Reserve District, comprised of the states of New York and New Jersey, is a rich industrial territory serving the heaviest concentration of population in the United States. The area is industrially mature, but it is in many ways more favorably situated than New England. Income in the area is up considerably from a year ago, and still rising, albeit now very slowly. Department store sales in the area have been very poor, but part of the year-to-year declines which the area has been reporting for some time are owing to the inability of large stores to keep pace with the astonishing rate at which population in New York and New Jersey has been suburbanizing. Construction activity is still good, particularly for commercial construction —this is itself a reflection of past suburbanization. A considerable easing in current residential construction has been reported in New York, Buffalo, Albany, Binghamton and Rochester, among others, but the incentive to extend commercial services and warehousing facilities to already developed suburban and semi-rural areas has kept total construction activity at a high level.

Unemployment in the area is low, although it is rising moderately. Most of the rise is appearing in the apparel trade, which is heavily concentrated in New York, but scattered layoffs have been reported in upstate glove, machinery and optical goods plants. Employment in hard goods industries in New York state is still running above a year ago.

In New Jersey, the presence of a number of industries with strong growth trends—petroleum,



Major Trends 12 Federal Reserve Districts

1. **Boston: General unevenness, with some unemployment and 6% drop in dept. store sales from a year ago. Continued decline textile, footwar and pottery.**
2. **New York: Employment still good but some downturn expected, especially in apparel and construction lines. Dept. store sales down 4%. New Jersey conditions good, especially in chemicals and petroleum.**
3. **Philadelphia: Construction ebbing but basic industries still very active. Dept. store sales up 2%. Unemployment in coal.**
4. **Cleveland: Compares favorably with all other districts. Dept. store sales up 6%. Unemployment low but outlook for auto and rubber industries uncertain. District to large extent dependent on export markets in durables which are becoming less satisfactory. Drop in furniture mfg.**
5. **Richmond: Mixed conditions. Dept. store sales down 7%. Wholesale business active. Textile industry shows high production. Continued growth of region reflected in heavy construction activities.**
6. **Atlanta: Conditions compare favorably with other regions. Construction active and dept. store sales up 2%. Sales of consumer durables exceptionally high. Break in cotton prices casts cloud over future textile operations. Paper & pulp and atomic energy developments a sustaining factor.**
7. **Chicago: Auto prospects of extreme importance. Lower output a factor in total factory operations. Steel holds up reasonably well. Cut in hours worked in miscellaneous industries. Dept. store sales down 4%.**
8. **St. Louis: Conditions stable, despite unsettlement in farm areas. Slackening indicated, however, by drop of 6% in dept. store sales.**
9. **Minneapolis: Incomes declining owing to drop in farm receipts. Unemployment not a factor in this region. Dept. store sales off 2%. General business sentiment less favorable.**
10. **Kansas City: Deflation in farm prices of importance. Waiting for recovery in cattle prices. Not much affected by changes in industry as mostly dependent on agriculture. Dept. store sales down 3%.**
11. **Dallas: In fundamentally strong position, owing to increased importance of heavy chemicals and aircrft. Petroleum still prosperous but price structure uncertain. Dept. store sales down 2% but region should maintain its demonstrated stability, particularly if cattle prices improve.**
12. **San Francisco: Aside from lumbering in Northwest, region gives appearance of continued prosperity, especially in aircraft, apparel and petroleum. Agricultural conditions more stable than other regions. Dept. store sales down 6%, contributing a disappointing element to an otherwise favorable picture.**

chemicals—and the economic role of much of New Jersey industry in serving the growing population of the area, have maintained very favorable conditions. New Jersey is one of the few states where unemployment is still no higher than a year ago. As with New England, though the outlook is not favorable, the area is sufficiently diversified to resist cumulative recession.

Another Important Area

Running generally west of New York State are three Federal Reserve Districts—the Third, Fourth and Seventh—which contain the heart of the 1952-1953 boom. This large combined area, which runs from the eastern edge of Pennsylvania to the western edge of Iowa, and from northern Michigan to southern Indiana, has participated heavily in the expansion of demand for defense goods, capitals goods, and consumer durable goods. For this reason, its present status is highly prosperous, but it may well be hyper-sensitive to recession in the future. Some signs of this hypersensitivity can already be observed in the area's economic record.

These three districts show by far the largest increases in income over last year, and in at least one of the three, the Fourth Federal Reserve District, with headquarters at Cleveland, income is still apparently rising, although slowly. (In the Philadelphia district it is already declining; in the Chicago district, it is evidently about to decline.)

In the Philadelphia district department store sales have held up, and auto sales have been exceptional. Unemployment in the district is not negligible—layoffs in the Pennsylvania coal industry have been chronic throughout the 1953 boom—but it is not rising rapidly. Construction activity has been subsiding, but here again the decline seems like a settling back from an over-stimulated pace. The area's concentration in key raw materials—oil, coal, chemicals and steel—have helped its boom, and Big Steel's new plant has boosted hard-goods employment.

The record of the Cleveland District is still the best in the country. Incomes are up sharply over a year ago, and still rising. In the fall, retail trade has continued near its spring peak. Construction contract awards in the area are still running far above a year ago, and unemployment, while it has risen a little recently, is still quite low. Cincinnati, Cleveland and, to a lesser extent, Akron, are still in the middle of a boom. But the boom is dependent in considerable measure on the consumer market for durables, including autos. The area has saturated its own market for these items; it is now relying upon its "export" market in less favorably placed Federal Reserve districts. As that market weakens, the district's level of activity will probably subside rapidly and at a compounding rate.

The above is particularly true of the Chicago district, which includes the bulk of the United States automotive industry. Here, however, signs of weakening in the automobile market have already begun to take their toll. In Michigan, core of the auto production industry, unemployment has already risen substantially, and retail trade has slackened. Declining hours worked in auto accessory and parts plants are cutting into income, and November income figures for the area will certainly show a drop. In addition, part of the district includes two important dairy-farming areas: upper Wisconsin and Iowa. In both these areas, incomes have suffered moderately from falling cattle prices, and more seriously from the growth of the domestic oleomargarine industry, and rising imports of dairy commodities such as cheese.

As a further small contribution to the increasing difficulties in the area, the Grand Rapids furniture industry is no longer booming, and has begun a relatively sharp decline in operating rates. Of the three areas that comprise the heartland of the boom, the Chicago area is the most vulnerable.

The Middle Atlantic States and Southeast

Running South from New Jersey is the Fifth Federal Reserve District, comprising the "Middle Atlantic" states of Maryland, the Virginias and the Carolinas. The area blends growing industrialization with a continuing major dependence upon agricultural activity, particularly in South Carolina and the inland portions of the Virginias. This duality explains some of the paradoxes that appear in figures for the area.

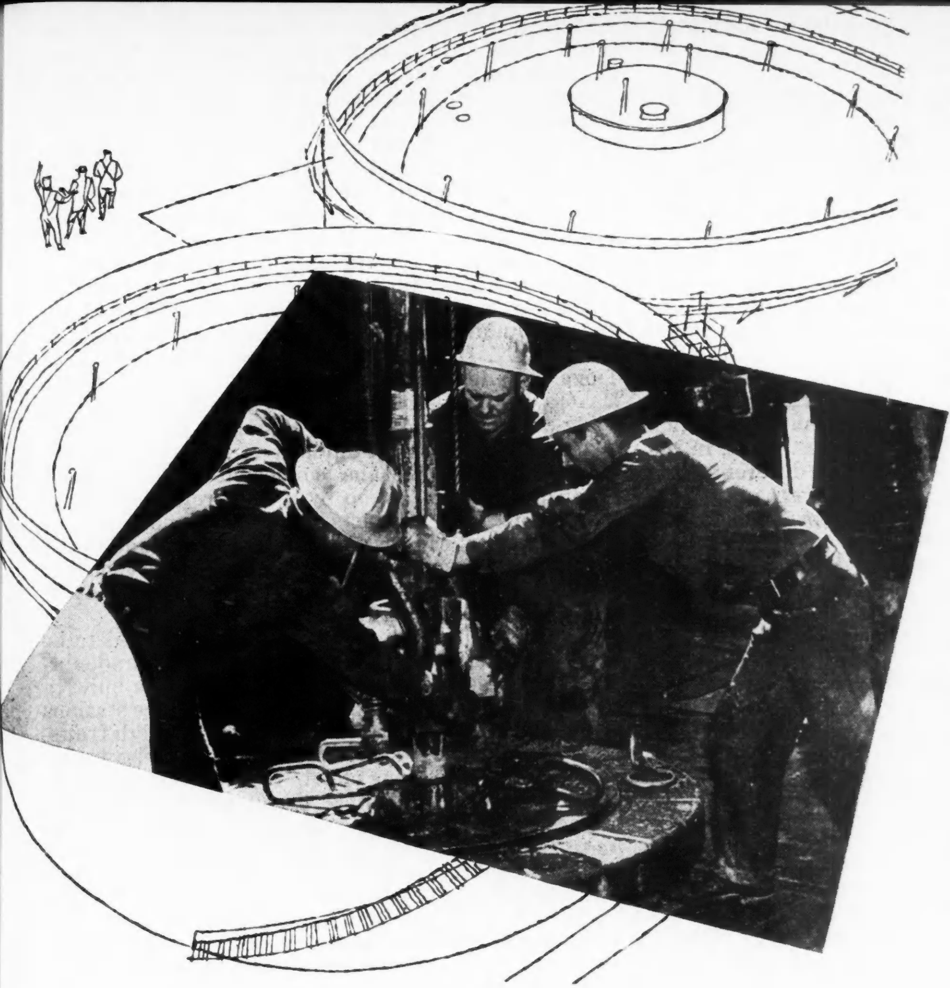
Income for the Middle Atlantic states as a group shows a relatively small gain over a year ago, and is now subsiding. Department store trade has fallen rapidly from its Spring peak—more rapidly than in any other district. But in certain key cities—Richmond and Charlotte, among others—durables trade has continued excellent.

Activity is down in residential construction but up somewhat in industrial construction. In North Carolina, latest available figures show relatively good conditions in its textile industry, which occupies about one-quarter of all of the state's factory workers. Unemployment is low. In Virginia, textile activity has slipped off, but the decline has been offset by rises in chemicals, and by a remarkable rise in wholesale trade, reflecting the state's increasing importance in the nation's warehousing and distribution network. On balance, the Middle Atlantic states continue in a relatively stable condition, despite their concentration in the textile industry.

The Sixth "Atlanta" District is the American Southeast. It includes Florida, Georgia, Alabama, the Southern parts of Mississippi and Louisiana, and Tennessee.

The area's income is up only slightly from a year ago, and it is now about stable. Construction activity of both residential and nonresidential type, is running markedly below a year ago. But department store sales are still firm, and sales of consumer durables have been phenomenal throughout the year. This despite the fact that the area combines two unfortunate specialties: cotton growing, and cotton textile production. The former has been hard hit by the collapse of cotton prices, and activity rates in the latter have been declining rapidly since the summer.

Of cities in this area, Memphis, Savannah, Nashville, Atlanta, Miami and Jacksonville have all reported excellent business throughout the year. There is little unemployment in the area, partly because a relatively large proportion of the labor force is in agricultural work. A growing pulp and paper industry in Northern Florida, and service industries in Southern Florida, have continued to drain off excess work force from the rest of the area, and atomic energy developments in connection with TVA in Tennessee have also helped to support employment. On balance, the area is likely to suffer only moderately as business (*Please turn to page* 286)



Will Fabulous Expectations for...

Williston Basin Be Realized?

By JAMES T. ROBERTS

Folks in the Williston Basin have struck it rich —the local folks, that is, but the big oil companies that have put tens of millions into the Basin have a long way to go before worth while profits can be had.

Farmers with money in their pockets keep cash registers jingling merrily in Williston, N. D. Money obtained from their acres leased to oil prospectors has gone into spanking new cars and parking space is difficult to find at any hour of the day or night. Appliance dealers never had it so good as farmers gobble up the latest electrical refinements. Bank deposits set new record highs monthly even though wheat-growing, traditional mainstay of the area, isn't what it used to be.

Other earth-shaking effects of the oil rush are overtaxed housing and municipal facilities, "beat up" roads as heavy drilling equipment lumbers over the countryside, zooming rentals with oil companies giving employes housing subsidies of as much as $150 monthly and telephone calls, local and long distance, skyrocketing while Northwestern Bell Telephone Co. spends $1,000,000 to expand services.

For the oil companies, dispensing their hundreds of millions of dollars to sustain this merry boom in the two-country Williston Basin, there are no Spindletops to date. In fact, in the two years since the first oil discovery, production has amounted to a mere $16 million worth of oil. In that period the petroleum people have spent about $200 million in the Williston Basin for exploration, leases, drilling and development. Indications are they will pour out another $100 million during the next 12 months.

Also sniffing the "black gold," oil well supply firms, operating out of Williston and Minot, are already well represented. In this raw-new area one finds such staid old names as U. S. Steel's Oil Well Supply Division, Jones & Laughlin, Mid-Continent, Waukesha Motors and others. Dealers carry full lines of cranes, concrete mixers, materials handling equipment, power plants, pumps, shovels, tractors and the like.

Since the first oil discovery in 1951, 515 wells have been drilled in Montana and the Dakotas. Of this total, 230 have been dry holes. Not including the Western Manitoba and Southern Saskatchewan regions, the Williston Basin area of Montana and the Dakotas contains approximately 60 million acres potentially productive of oil. If you divide this total acreage by 515—the number of wells since 1951—you get an average of one well to 116,000 acres. Since a 10,000-acre field is a big oilfield and since at least half of the wells drilled to date have been in two or three fields, it is obvious the industry has only scratched the surface of Williston. It will take many

years and many more wells to explore adequately this new Empire of the West. Thus far, 25 oilfields have been found in the Williston Basin.

The Williston Basin, as a province for oil exploration, may be summarized thusly:

1. An area of some 240,000 square miles.
2. A Mesozoic section averaging 6,000 feet in thickness with possibilities for oil and gas accumulation in at least six zones which have not been adequately explored.
3. A Paleozoic section of 5,000 to 7,000 feet in thickness, consisting for the most part of carbonates with porosity varying from fractures to intergranular to muggy. At the present time, the principal objectives are in the Charles and Mission Canyon formations of Mississippian age, the Devonian, the Silurian and the Ordovician. There are many zones which have porous zones and oil showings which should be considered as objective zones. Thus, in the Paleozoic section, 15 separate zones in different parts of the basin may be classed as objectives.

There are now approximately 225 producing wells in the Williston Basin. These are producing about 20,000 barrels of crude oil a day. Most of the wells either are shut in or are producing at restricted capacity due to lack of pipeline outlets. The oil turned out is being moved by truck or railroad.

Transportation Problems

The older producing oil areas of this country, such as Wyoming, the Mid-Continent, West Texas and the Gulf Coast, are connected to the consuming centers by a vast network of pipelines. These pipelines provide a much cheaper method of hauling oil to market than the railroad or trucking systems. As an example, oil can be transported from Wyoming to Chicago by pipeline for about 40 cents per barrel (42 gallons). But to move a tank car of crude oil from Glendive, Mont., to Chicago costs over $1.50 a barrel—nearly four times as much!

Pipeline projects are costly and they are not laid down unless the people putting up the money are satisfied that there is plenty of oil to put in the pipeline at the source and somebody to buy the oil at the terminus. To date, there has not been enough oil-producing capacity developed in the Williston Basin to fill an economic-size pipeline—one handling 100,000 to 200,000 barrels per day.

Since a pipeline built to Chicago or the Far West would extend 1,000 to 1,500 miles and cost something like $100 million, it may be a long time before such a line is built. A number of pipeline programs have been proposed, but nothing of far-reaching scope has taken shape. In recent weeks, however, Williston Basin Pipeline, Inc. announced a contract had been signed for the construction of an eight-inch pipeline for refined petroleum products from the Billings-Laurel, Mont., refining area to Glendive. Cost is estimated at $7 million. But until a pipeline is built to the major markets of the nation the Williston Basin fields will be unable to compete economically with those in older producing areas and, as a consequence, will be restricted to supplying the local markets.

Steps are being taken to build up refining capacity of the North Central States. Standard Oil Co. (Indiana) is building a 30,000-barrel per day refinery at Mandan, N. D. This plant will be connected to the Tioga and Beaver Lodge producing areas of North Dakota by a pipeline some 150 miles long which is being constructed by Service Pipe Line Co., a wholly-owned subsidiary of Standard of Indiana. The refinery, in turn, will be connected to its present products pipeline system by a line from Mandan to Moorhead, Minn. Products refined at Mandan will be transported as far east as Minneapolis. Standard of Indiana expects to sell most of the refinery output in the North Central States. The plant will not be ready for operation, however, until late 1954.

Several small refinery projects are reported to be planned or building in North Dakota and, undoubtedly, a number of such small plants will be built in Montana and North Dakota. Gasoline service stations are popping up in the area. In view of the high transportation costs to take Williston Basin oil elsewhere, there will be strenuous efforts to build up local markets for gasoline and other products.

The early burst of wildcat drilling for oil and gas in the Williston has subsided. A large number of relatively shallow test wells have been abandoned, principally around the rim of the basin. This has been followed by a substantial increase in deeper drilling more toward the center of the basin. Exploratory and development drilling now is concentrated largely in this area, where a number of important oilfields have been uncovered since the first outstanding basin discovery by Amerada Petroleum in northwestern North Dakota.

As an historic footnote, it might be mentioned that the first oil of producible quantities in the Williston Basin was found in early 1951 by Standard Oil Co. (California) in Canada at Virden, Manitoba. The oil rush was on four months later when Amerada Petroleum made the first strike in the United States portion of the basin under the rolling wheat fields of Clarence Iverson, near the village of Tioga, N. D.

Williston and the Northern Pacific

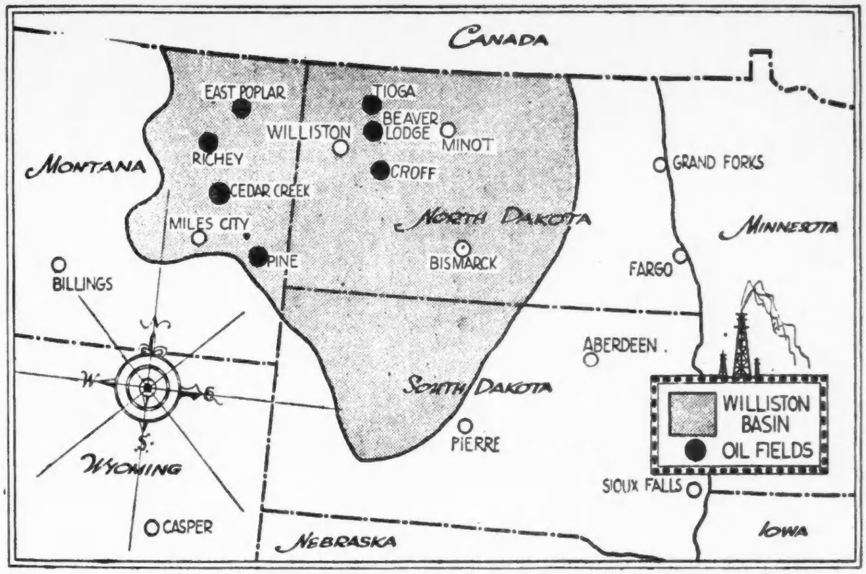
The Williston, obviously, is in the initial stages of its development. A generation hence geologists will still be surveying, analyzing and extending this field of great promise. Watching its present development keenly, besides oil companies, are railroads, utilities and land-acreage companies.

The Northern Pacific Railway Co., as a case in point, received last year the relatively small sum of $775,900 from 13 wells and thus far in 1953 the Northern Pacific has royalties or participations in 19 wells. However, the railroad, cognizant of its great potentialities, has opened a separate oil department in charge of its own oil expert and intends to participate itself in the drilling and searching for oil in the Williston Basin.

Important Companies Represented in the Williston Area

Oil Companies	Others
Amerada Petroleum	Bell Telephone
Mid-Continent	Montana-Dakota Utilities
Phillips Petroleum	Jones & Laughlin
Shell Oil	Northern Pacific Rwy.
Standard Oil of Calif.	U. S. Steel
SONJ (Carter Oil)	Waukesha Motors
Sun Oil	
Texas Co.	

Northern Pacific will not always depend upon royalties for profit, but in some cases will actually be a partner of the oil companies, furnishing its proportionate share of the cost for drilling and sharing in the proceeds. For example, the Northern Pacific recently completed a unitization agreement under which it contributes 39 per cent of the cost and receives 39 per cent of the proceeds and, in addition, gets 14 per cent royalty on production from its own lands within the area. The policy, of course, is to capitalize in every way possible on the great potential earnings of the Williston.



That the Northern Pacific has a long way to go before it fully realizes its oil potential is illustrated by the fact that of all the land owned by or over which the Northern Pacific retains oil rights, only 112,993 acres were under lease or agreement at the end of 1952. The oil royalties received by the road come from eight fields in Montana.

These fields in themselves are just beginning to be developed and at the close of 1952 there were no more than eight wells in any one field. In some there was only one. All this oil-producing land is in Montana. None is in North Dakota, despite the fact that the Croff field is but 12 miles north of Northern Pacific's land grant limit in that state.

The railroad owns in fee, oil and gas rights in over 3 million acres in the Williston and another 2 million acres in Eastern Montana, immediately to the west of the basin. The acreage in the basin consists of large checkerboard holdings in the Baker-Glendive trend and in the new trend opened by Sun Oil Co. and Phillips Petroleum at Sydney, Richland County. Gulf Oil has announced that Gulf and Northern Pacific will drill a 13,000-foot test in Golden Valley County, North Dakota, about 30 miles southeast of the Sydney field and 28 miles northwest of the Fryeburg pool. This wildcat test is on a 39,000-acre block. Gulf has a 74% working interest in the test well and Northern Pacific a 26% working interest, plus royalty interest in the block, it is reported. If this wildcat test proves productive, it would apparently give Northern Pacific its first "working interest" production in the Williston Basin, as opposed to royalty interest production now being obtained from other fields.

Northern Pacific, it is understood, now has royalty-interest production in the Duck Lake, Deer Creek, North Glendive, Glendive, Cedar Creek, Cabin Creek, Pine Unit and Little Beaver fields of Eastern Montana. Crude oil production in these fields at present is restricted to approximately 5,000 barrels daily in the aggregate. Potential output is about 10,000 barrels daily. Most of this output is on Northern Pacific Railway land.

As of early September, 1953, there were 42 producing oil wells in the Montana portion of the Williston Basin. At the same time 12 wildcat wells were drilling in the area and 11 in proven fields. Of the producing wells, those on Northern Pacific land are producing about 3,500 barrels daily. Of the drilling wells, five were on Northern Pacific land, including two wildcats.

A utility company has an equally vital stake in this region. Montana-Dakota Utilities Co. and its wholly-owned subsidiary, Fidelity Gas Co., entered into an operating agreement with Shell Oil Co. in 1951, covering the acreage in the Baker Field. Montana-Dakota and its subsidiary hold oil and gas leases and/or operating agreements covering about 105,000 acres in the Baker Field. The shallow gas productive area of the Baker Field above 2,000 feet has been operated under a unit plan for many years.

In the Bowdoin Field in North Central Montana, Montana-Dakota holds oil and gas leases on approximately 140,000 acres. This field also is operated under a unit plan with Fidelity the operator and these leases are all validated by shallow gas production. Three deep test wells were drilled in the Bowdoin Field during the years 1946 to 1950 to depths of 5,852, 4,751 and 5,849 feet below the surface, respectively. No oil or gas was found in commercial quantities in these wells below the Bowdoin and Phillip Sands.

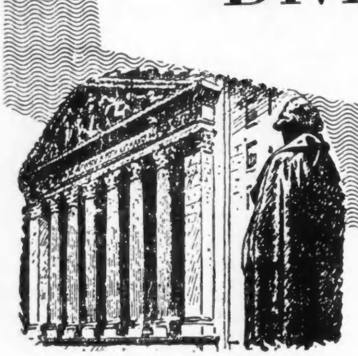
In North Dakota, the company owns oil and gas leases on about 5,500 acres approximately 10 miles southwest of the Beaver Lodge Field. Several dry holes have been drilled to the west of the Beaver Lodge Field on locations lying between that field and the company's leases. The company holds oil and gas leases on about 120 acres roughly five miles southeast of the Tioga Field. Dry holes have been drilled to the east and south of the Tioga Field, but drilling to date has not established the limits of the Tioga Field to the southeast.

Knife River Coal Mining Co., a wholly-owned subsidiary of the utility, owns mineral and oil rights and oil and gas leases on 3,100 acres in North Dakota.

Williston and Shell Oil—Amerada

In South Dakota the company and Fidelity own oil and gas leases and (*Please turn to page* 286)

How New Decision Limits Stock Dividends



By WARD GATES

A minor bombshell hit investment circles several weeks ago when the International Business Machines Corp., announced, after a ruling by the New York Stock Exchange, that it would cut its usual five percent stock dividend in half. The five percent distribution had been made at the end of each year since 1935, and stockholders had naturally come to expect it as a regular payment. When the news of the cut came, it proved a shock and the stock accordingly tumbled rather sharply.

This unexpected development is of more than ordinary importance because of its implications to stockholders in other companies which have been paying regular stock dividends. It is reasoned that if so important a company as IBM can be forced to adjust its dividend policies, other companies may have to follow suit for the same reasons.

A Puzzle in Timing

Many phases of this unusual situation puzzle investors. None seems stranger than that the Exchange could have taken similar action on other companies in the past ten years but apparently failed to do so. In 1943, it adopted a policy under which companies seeking listing for shares to be received in the form of a stock dividend would not receive approval unless certain requirements were met first. Nothing was done about this new policy until 1948 when it issued a clarifying statement. Another lapse of five years followed but last February, the Exchange issued a final statement giving full warning that it intended to act and that "it would not make exceptions except under the most unusual circumstances." In late October, it finally did take action, selecting IBM as the first company to come under the ban.

Why the Exchange waited until the end of 1953 to take action on IBM is a mystery for the same "violations" under which it proceeded in regard to this company existed in prior years. It is in order now to explain the regulation which affected this particular stock dividend and, presumably, others to follow.

This regulation affects the authorization of new shares to be distributed as stock dividends, provided this is less than 25% of the outstanding stock immediately prior to distribution. It does not affect true split-ups, that is on the basis of two-for-one, or more; and it does not affect stock dividends of 100% or more. The difference here, of course, is purely technical and does not require elaboration. In between the less-than-25% stock dividends and those of 100% or more, the Exchange allows considerable latitude. Apparently, each case in this category will be judged on the basis of the individual circumstances governing the stock dividend declaration.

What are the provisions governing the issuance of stock dividends by companies whose shares are listed on the "Big Board"? There are two of them and they are crucial in determining whether or not approval by the Exchange will be forthcoming. These are now given in the official language of the statement on stock dividends issued by the Exchange last February and under which it withheld this approval in the case of the IBM stock dividend:

(1) (*The Exchange*) *will expect that, in respect of each such additional share so distributed, there will be transferred from earned surplus to the permanent capitalization**** an amount equal to the fair value of such share***** (*which*) *should closely approximate the current share market price adjusted to reflect issuance of the shares to be distributed; and*

(2) *will consider the relationship between the aggregate fair value of the shares so to be distributed and the amount of the company's earnings.*

This is lawyer's language and probably unfamiliar to many investors. We will attempt to translate.

Point (1) simply means that the value of the stock dividend must be deducted from the asset side of the balance sheet, that is to say the surplus which represents the accumulated earnings of the company, and transferred to the capitalization which is on the liability side. It is that the added amount of liability now becomes permanent which is the essen-

tial feature, whereas the surplus is a variable item so that what happens is that the investor exchanges an asset in the form of surplus, to the amount reflected in the stock dividend, for an increased permanent liability. This may not prove an advantage in the long run: and this is one of the Exchange's prime reasons for its stand.

The average investor probably will not care much about understanding this complicated business (1) but he should at least try to understand (2). It is simple to comprehend. This, now translated from the legal language of the Stock Exchange declaration, states simply that when stock dividends are declared, the net earnings between the period of regular stock dividends must at least equal the value of the stock dividend at the time of issue plus the cash dividends paid during this period.

In the case of the International Business Machines stock dividend, it meant that the sum total of the usual 5% stock dividend plus the $4 cash dividend, which would have amounted in value to $15 a share, would have been in excess of the likely 1953 earnings. These are estimated at around $10.50 a share. In 1952, the company earned $9.81 a share. Under these conditions, the Exchange decided to act, as it was apparent that earnings for IBM this year would be considerably less than the total 5% stock and $4 cash dividends. The company had no other recourse, therefore, but to cut its stock dividend. This it reduced to 2½%. On the basis of the price of the stock, which was around 244, when the dividend declaration was made, the value of the 2½% stock dividend was about $6 a share which, added to the $4 cash dividend, gave a total of $10 a share for the combined dividends, or about in line with the earnings. To this, of course, the Exchange could offer no objections under its own regulation, as the company had fulfilled the stipulated requirements.

As the matter now stands, there is room for considerable confusion despite the clarity of the official statement by the New York Stock Exchange and the equally clear response of the International Business Machines Corp. The main question revolves around whether this is an isolated case or whether it presages "tough" action against other companies which may not have complied fully with the Exchange's regulation. If the latter is the case, a good many stockholders are going to be dissatisfied. An idea of what is at stake may be gained from the accompanying table. This has been carefully prepared to show a comparison between total stock and cash dividends, on the one hand, and earnings, on the other, in order to show which of these companies are potentially subject to the same ruling as in the case of IBM. It will be seen at once that IBM stands out among the others as having been the chief offender from the Exchange's viewpoint. There are several others which are paying out more in combined stock and cash than earnings. Most of the others just about come under the wire.

We have listed in this table only companies which have paid successive stock dividends in the past three years and which, on that account, may be presumed to have established a policy in this respect. There are others which have paid stock dividends less regularly during this period but these have not been included, since investors' interest in these stock dividends would necessarily seem more limited than in the case of investors in companies which make regular stock dividend payments. Nonetheless, even companies in this category would be subject to the Exchange's regulations on stock dividends, although the latter have not been declared regularly.

Companies Paying Regular Stock Dividends

	Stock Dividends Paid 1951	1952	1953	Approx. Value 1953 Stock Div. Per Share	Indicated Cash Div. 1953	Total 1953 Cash & Stock Div. Per Share	Estimated Earnings Per Share 1953
Addressograph-Multigraph	3%	3%	3%	$ 1.53	$ 3.00	$ 4.53	$ 5.74[4]
American Machine & Foundry	2½	2½	5	1.10	1.00	2.10	2.15
American Metal Co.	5	5	5	1.10	1.50	2.60	2.75
Cerro de Pasco Corp.	5	5	5	1.55	1.25	2.80	2.50
Colgate Palmolive Peet	5	5	5	2.30	2.00	4.30	5.00
Dow Chemical	2½	2½	2½	.90	1.00	1.90	1.58[5]
Eastman Kodak	10	10	5	2.15	1.80	3.95	3.00
Food Fair Stores	3	3	5	1.35	.80	2.15	1.86[6]
Goodyear Tire & Rubber	100	5	3	1.59	3.00	4.59	9.50
Grand Union Co.	[1]	5	5	1.40	1.00	2.40	3.00
Gulf Oil	100	4	4	1.76	2.00	3.76	6.40
Hunt Foods	5[2]	5	5	.65	.45	1.10	......
International Business Machines	5	5	5[3]	11.55	4.00	15.55	10.50
Kaiser Alum. & Chem.	10	5	5	1.25	1.30	1.55	1.56[5]
Lane Bryant	5	5	5	.75	1.00	1.75	2.35
National Gypsum	2	2	2	.40	1.40	1.80	2.70
Plymouth Oil	1½	1½	1½	.36	1.60	1.96	4.10
Rohm & Haas	4	4	4	5.44	1.60	7.04	6.75
Sun Oil	10	8	8	5.60	1.00	6.60	6.50

[1]—Paid 1/5—4½% preferred for each share held.
[2]—Stock payment; only dividend paid for year.
[3]—Also declared 2½% stock dividend payable Jan. 28, 1954.
[4]—Year ended July 31, 1953.
[5]—Year ended May 31, 1953.
[6]—Year ended April 30, 1953.

A Precedent

It seems a fair conclusion that action similar to that in the case of IBM will, indeed, be taken by the Stock Exchange where the facts indicate there is too great a discrepancy between total stock and cash dividends, and earnings. The precedent has been set and there is no reason to believe it will not be followed in other cases in the future.

Aside from the implications of all this to future dividend policies of specific companies and which, certainly, will be of considerable importance to many stockholders, there are some broader considerations which may have even wider effect. Some qualified students of the investment markets believe that while the Exchange authorities (*Please turn to page* 278)

TROUBLES ON THE TAX FRONT

By "VERITAS"

ADMINISTRATION moves to enact a manufacturers level, or retail level, general sales tax may be taken as a signal for introduction of legislation to restore the excess profits tax for another year. There is no reason to believe that the Treasury has uncovered any method by which a general excise can be avoided if corporate and individual federal income "take" is to be lessened as planned. Some excise-taxed industries, notably motion picture exhibitors, consider President Eisenhower's public statements as a pledge to cut their tax schedules, or eliminate collections from those sources. The White House has spoken out against piecemeal handling of this problem; it looks like hopes of some industries are to be dashed.

TREASURY says the situation is as simple as this: you cannot raise more money by cutting taxes; and more money assuredly will be needed to run the government next year. By the time congress gets through arguing about exemptions and making many, the general tax won't raise amounts approximating the sanguine expectations of the experts who planned the one-stroke revenue solution. Under existing legislation, the excess profits tax would be off the book before the lawmakers get around to deciding what to do about replacement sources.

POLITICAL appendages of the labor unions—the year-around operating "action committees"—are hard at work conditioning their members and individuals at large, for what will happen if excess profits tax remains: there will be no 10 per cent cut in individual income taxes; the two are tied together, politically if not fiscally. Through labor papers, every member and his friends knows exactly how much a 10 per cent cut will save him personally. Obviously the amount is not significant. On the other hand, they're being told a general sales tax will be costly to the consumer. An effective lobby is being built up on a rank-and-file level, ready to forego the individual cut if excess profits tax stays. This is all up in the air, however.

OBVIOUSLY party politics underscores this kind of congressional thinking. Many who voted to lop off excess profits at the beginning of the new year say the status quo as of then has been changed by talk of a general sales levy, something they hadn't bargained for. It's good partisan political strategy to talk of lifting the burden from the common man.

WASHINGTON SEES

The President has summoned top level republican party men to the Capital for December conferences on the legislative program, both with implications stemming from recent events and current political conditions which go far beyond the compass of the call.

When the invitees arrive they'll find months of preparation have gone into the job of giving shape to a plan of action. And they'll be reminded that Dwight D. Eisenhower is the President of the United States; ex-officio head of his party; capable of, and determined to, speak for himself. Intimates expect Ike to declare a policy of "get tough"; to say that he is fed up with certain practices that have grown within the GOP ranks, and to call a halt.

The President witnessed several election losses to the democrats since he took office. They were chargd to him although he took no personal part in them. In most instances, his Administration was a minor issue, if any. But others within the party ranks used his name, conferred his blessings and indorsements with reckless abandon. They didn't bother to consult him.

With three congressional committees and the FBI ferreting current communistic activity and with each agency of government having its own security setup, Ike was rocked by Attorney General Brownell's resurrection of a years' old case, in which the suspect is now dead, and the real target a President no longer in office. And to top it all, Brownell publicly said Eisenhower cleared linking Truman with its worst aspects. Ike flatly denied that. The crackdown is a hint of what will come in comparable future situations.

As We Go To Press

In the list of reasons ascribed for failure of the republican party to make a more favorable showing, the fact that the party hasn't told its story to the voters stands high. And one of the more serious drawbacks being faced is the necessity of making a start almost from the beginning, overcoming the complaints, setting the record straight and, at the same time, meeting opposition from within. There are ambitious men among the GOP registrants who have made a poor job, or none, of concealing pleasure that the demonstrated Eisenhower popularity of November 1952, didn't win the day in November 1953.

Listening to or reading republican campaign arguments in the more recent go-around, it seemed apparent that not even 20 wild horses could drag out of the spokesmen that the President kept his promise regarding Korea. The voters couldn't find a casualty list in their newspapers as they weighed for whom to vote, but Ike's party wasn't reminding them. They weren't told that an Administration which kept its word, accomplished in Korea what its predecessor found impossible, could be relied upon to plow through the difficult, given reasonable time to do it.

There was more talk of the thousands who were dropped from the federal payrolls because their services could be dispensed with and the country had to economize, than there was talk of the millions who shared the advance toward an eventual tax cut. Not much per person to be sure; a straw in the wind for a certainty. And another promise made and fulfilled without causing a ripple in the pool of employment, still standing at record high. But the whole issue seemed to be a dark secret insofar as campaign platforms go.

Labor was encouraged by Ike's opposition to point to the fact that living costs have reached an all-time high. The farmers received from the same sources, data on which to build a lament that the republicans are responsible for overproduction and underpayment in the agricultural belt. Actually, labor and the farmer -- the former protesting he's paying too much for food, and the latter crying out that he's getting too little for what he puts on the market for labor to buy -- were teamed together as though partners in a common crusade. The farmer evidently was not told by GOP mouthpieces that it was the present Administration that took the ceilings off their prices; labor wasn't told it shouldn't complain, because it was given what it asked: removal of ceilings on wages.

Those who want total hemispherical defense, but without cost, couldn't penetrate the "board of directors" type of explanation that would have convinced any understanding person you cannot have it on that basis. That there are savings in the defense program was stated. But it wasn't followed up with assurance that these savings have little or no effect on the ultimate goal -- total defense; that they were the pickings of wasted manpower and material, unwise planning which had factories turning out planes which would be obsolete before they'd get off the ground; that there are changes in approach, in emphasis, which look to increase in the efficient use of every military man and the equipment at his disposal. It may have been adverted to at some obscure ward rally, but certainly didn't get the national play it deserved, that the Administration is headed by a man who won the most terrible war in history. To any reasonable person, or doubtful voter, that surely would carry weight and assurance.

To get the story of the past, present, and foreseeable future of the federal government's fiscal position reduced to terms which can be understood by that great common denominator, "the man in the street," is something no Administration has been able to do up to now. But Ike's Treasury Secretary, George M. Humphrey, has made a good start. Instead of dealing in double-talk and telling bankers' meetings things they already know, Humphrey is talking directly to the rank-and-file of the citizenry. It probably amused the speakers who sought to drive the democrats out of office to tell how high a stack of one

dollar bills equaling the debt under Roosevelt and Truman could reach. It may have brought a chuckle to tell how long it would take one man to count a similar number of bills.

But, in cracker-barrel philosophy, those cleverly contrived semi-humorous references "didn't butter any parsnips." The debt Eisenhower inherited has been increased, naturally; the pile of $1 bills would reach higher today, the job of counting them would take even longer. Instead of supplying material for TV quiz programs, the GOP spokesmen might better be explaining why debt reduction is a slow process, why you cannot save several billions by ignoring the debt service, why a going program of government must be brought to a gradual stop and payrolls are heavier for a while with fewer employees than they were with a greater number of payees (severance pay of one type or another, vacation money, etc., that must be paid.)

The people weren't told why an order issued today to make no more new planes and to build no more new ships would affect current costs very little. Contracts must be honored by the government as well as by people; one doesn't have to renew, but one has to meet agreed terms of effective contracts. The people weren't told that a decision by the top military experts to shift emphasis from fighter to bomber planes, or vice versa, takes time and money. An industry cannot be expected to convert and re-tool as a patriotic gesture, and at the same time meet payrolls.

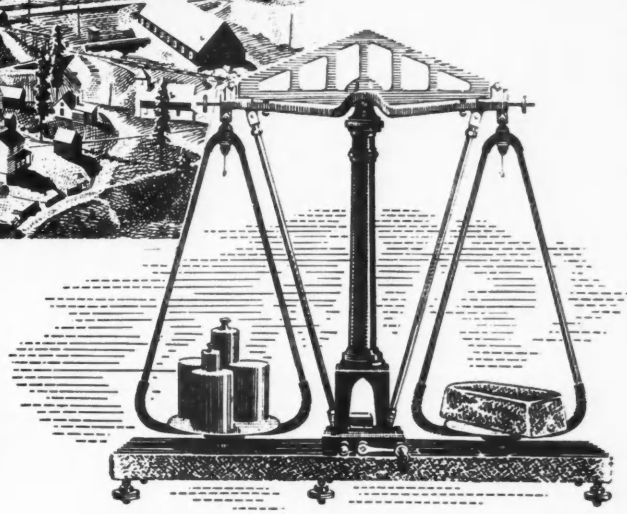
Because a republican candidate for governor of a state had been accused of a too-friendly interest in an imprisoned convict, didn't mean that every republican candidate in that state must pay for the misdeed, if any. But New Jersey's Union County republican nominee for congress was spilled after a campaign in which the gubernatorial candidate of his party was made an issue. There, it was neither a local nor a national issue; it was a state issue allowed to seep down a normally republican district. And, again, the story wasn't told; the ducks weren't properly put in a row.

Use the words bunkum, or even hypocrisy, if the mood so dictates, but it is a fact that FDR knew how to save threatened statehouses or congressional districts. And he didn't make a direct plea; he "inspected" the country with especial attention to the danger sites, was introduced to gatherings by the wobbly candidate, put his arm around the man, turned on the personality and it was all over but counting the votes. FDR "told the story" in his own way.

President Eisenhower, to be sure, could not criss-cross the nation as a political evangelist without having the tag of "absentee President" pinned on him -- Washington to Wisconsin to New Jersey to California. But he went to the opposite extreme: he would take no part in state or local politics: he wanted all republicans to win; he spurned mention of any candidate by name as if the name were not used in polite company. New York City was lost to the democrats from the beginning, and campaigning was just so much waste effort; the Wisconsin special election surprised the democrats more than it did some republicans -- they only hoped for a "good showing"; the President couldn't voice anxiety to "clean up the mess" in Washington and put himself in the position of encouraging a "mess" in New Jersey. Ike isn't even an ex officio member of any political campaign committee. But it's clear now that somebody should have told the story -- and didn't.

The campaign just concluded and the next one which comes on within one year are not merely popularity contests in which a satin ribbon or a silver cup is awarded. Affected in one way or another can be every dollar and cent in existence in the United States, every investment, every job, every factory and farm -- the United States itself. Returnees to the Capital seem to agree that there exists today a no man's land between the governing and the governed -- the intimacy, staged as it may have been, that existed under Roosevelt and Truman is missing. The Cabinet is an especial target, largely, it is believed, because the Durkin incident popularized the derision: "Nine Millionaires and a Plumber."

Whenever President Eisenhower goes on tour he re-kindles the fires of enthusiasm that lit his path to the White House one year ago. But those directly below him, the Vice President and most Members of the Cabinet run into trouble. An extensive trip by Ike sweeping the country, with frankly partisan speeches at crucial points probably would boost his party's stock to November 1952 level. He would not be in (*Please turn to page* 286)



What is Behind the . . .
Slump in Gold?

By V. L. HOROTH

There is so much yellow metal being offered on the free markets of Europe, partly as a result of Russian dumping, that gold has become a drug on the market. Although there have been other important factors, responsible for this development, this is the essence of the reports received from Paris and Zurich, the two largest free gold markets, where the price recently dropped below the equivalent of $35.50 per ounce, which is about half a dollar above the official American price. The Swiss bankers, Julius Baer & Co., comment in their weekly letter from Zurich: "If the present trend continues, gold producers and hoarders will soon be grateful that the United States takes up all the gold at the official price of $35 an ounce."

Any development focusing on the price of gold is bound to make news. Since the greater part of the World is on one kind of gold standard or other, one does not need to be an investor in gold stocks or even a holder of foreign gold coins or gold dust—the two forms of gold investment permitted in this country—to be interested in what is happening to the price of gold. We all have a stake in it. In fact, the population of this turbulent planet could be divided, in the absence of all other divisions, into two camps: (one) those who believe, with gold producers and many financiers and economists, mostly hailing from overseas, that the present official price of gold is not sacrosanct and that it should be raised, and (2) those who believe that in the interest of confidence in the dollar and the currencies tied to the dollar, the present gold prices, as fixed nearly twenty years ago, should not be tampered with.

The trouble is that the gap between the two camps, partly due to semantics, is now almost as wide as the gap between the communists and the democracies. What appears reasonable to one side is no longer admissible even as evidence to the others! The world outside of the United States is basically suffering from a shortage of goods that are in surplus in the United States. Therefore the people in the first camp say: let's raise the price of gold—double it, at least. This will: (1) enhance the value of gold reserves outside of the United States and create, thereby, extra buying power which can then be used for purchases of American goods. This will be a shot in the arm to international trade and will encourage gold production. (2) With more gold all around, there will be not only more backing for the currency and credit outstanding but also freer trade, because foreign countries will not need to worry so much about temporary unbalance in their international payments.

To this, the other camp replies: a rise in the price of gold would be only a temporary panacea. A change in the price of gold cannot be a substitute for the fundamental changes that must be made in the pattern of production and trade. It is essential that productivity be raised nearer to the U. S. level and that countries like Britain display more entepreneurial spirit. Besides, the rise in the price of gold would be inflationary and would destroy confidence in currencies. It would encourage spending at the time when the people ought to save.

How the Gold Markets Operate

Before discussing the reasons for the decline in the free market price of gold, something ought to be said about the free gold markets themselves and about the significance of the price usually quoted. The biggest world free market for gold today is Paris. Gold transactions on the Paris Bourse average about a billion francs a day, which means that about 5,000 to 6,000 lbs. of gold changes hands a day. The next in size are probably the free markets in Beirut, Zurich, Bombay, Rome, Montevideo, in that order. Tangier, where gold can be imported and exported

Gold Stocks in Central Banks and Estimated Privately Held Gold

(In Billions of Dollars)

	Gold Stocks of Central Banks and Gov. (ex. Russia) U. S.	All Others	Total	Estimate: Hoarded Gold
1923	7.2	7.2	14.6	......
1929	6.6	10.9	17.5	......
1938	14.6	10.9	25.5	......
1945	20.1	16.9	37.0	9.5
1946	20.7	16.8	37.5	9.6
1947	22.9	15.2	38.1	9.9
1948	24.4	14.2	38.6	10.1
1949	24.6	14.5	39.1	10.3
1950	22.7	17.0	39.7	10.5
1951	22.9	17.1	40.0	11.0
1952	23.3	17.0	40.3	11.3
1953 est.	22.1	18.6	40.7	11.6

Based on U.N. and BIS. reports adn others.

without questions asked, has lost its former importance, and acts chiefly as a storehouse of privately held metal. Hongkong and Macao, off the coast of China, are also mere shadows of their former selves as important gold markets; China is firmly closed and the communists punish dealings in gold with the death sentence.

The price mentioned in the first paragraph of this story, $35.50 per ounce, is the so called "transit" price for gold. This is really "a wholesale" price paid for gold in only a few of the free markets. The big brokers in Zurich and in Paris acquire gold at this price from producers. In France—which prohibits imports and exports of gold for private account but permits free dealing in gold that is already in France—the gold acquired by brokers must be re-exported, except for the portion that is acquired by the Bank of France. Hence gold is legally only "in transit" through France, to which a part of it returns as smuggled small bars or gold coins.

Zurich is also a "wholesaler of free gold" sending newly mined gold, which it pays for in Swiss francs or dollars, for resale in such markets as Beirut, Cairo, against payments in local currencies. Persian Gulf ports are also big purchasers; from there gold is smuggled to India, usually via the small Portuguese colony of Goa.

However, both Paris and Zurich also "retail" part of the gold which passes through their respective markets. In Switzerland some of the retained gold is struck in 20-franc gold pieces called "vreneli", while in France the Bank of France mints 20-franc gold pieces called "louis-dor" or "napoleon-dor". The French saver who buys these gold pieces, whenever he gets 4,00 to 5,000 francs together, pays now for his gold at the equivalent of about $44 per ounce. As will be seen from the accompanying chart, he paid the equivalent of about $50 one year ago and over $70 per ounce in 1948. Buying gold has not been, therefore, as good an investment as buying dollars or dollar stocks. However, those Frenchmen who put their francs into saving accounts in 1946 saw their value reduced—in terms of the dollar or gold—to less than one third.

Hence the premium paid for gold coin by the hoarder is still quite high and so are the premiums paid for bar gold in some of the Eastern markets, though considerably lower than formerly. In Bombay, for example, gold is currently selling at the equivalent of about $44 per ounce and in Hongkong at about $39 per ounce. Thus there is still a small incentive to producers to sell their gold on the free market, but the gap is narrowing and may eventually disappear altogether if there is dishoarding.

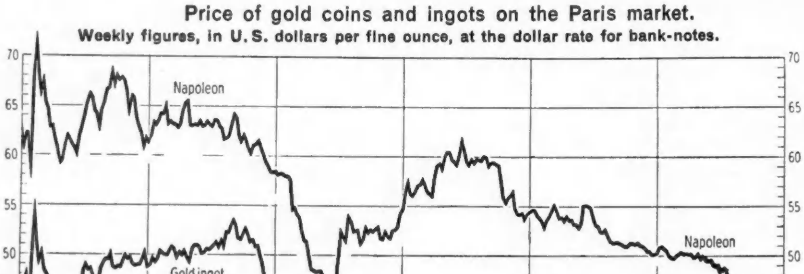
Decline in the Demand for Gold

The main reason for the decline in the price of gold in free markets is the slackening of demand. In 1951, when it seemed that the hot war in Korea might spread, the free markets absorbed, according to an estimate of the Bank for International Settlements (see table) almost 500 million ounces of gold, or nearly 5/8ths of the world output of gold. In 1952, only an estimated 320 million ounces of gold disappeared into private hoards, and this year the hoarding may be no larger than in the pre-Korean years when it averaged about 200 million ounces per annum.

Gold hoarding is, in effect, an indicator of international tension. With the danger of another World War definitely less, the demand for gold as a hedge against the risks of war is naturally less. With increasing confidence in the national currencies and an appreciable increase in saving activity, especially in Germany, there is also less need for gold as a hedge against inflation.

In France, which since the last war has replaced China and India as the traditional "sink" for the yellow metal, two developments may have contributed to the decline in the free market price for gold. One of them is the drop in the incomes of French farmers and the

Price of gold coins and ingots on the Paris market.
Weekly figures, in U.S. dollars per fine ounce, at the dollar rate for bank-notes.



other, more effective taxation. As a matter of fact, there have been reports of gold dishoarding on the part of tax offenders. The decline in commodity prices and more effective measures taken against speculators have also played a part in the decline in the free market price for gold in India and other Asian countries.

Still another factor in the slump in demand for gold has been the waning hopes of speculators who have held the metal in anticipation of the price increase. There are thousands of people abroad who have been "sure" that the new American Administration would do something about gold", but it is unlikely that anything will be done while the Eisenhower Administration is in office unless this country is drawn into a depression as devastating as that of the early 1930's. Only a few days ago Mr. W. Randolph Burgess, Deputy to the Secretary of the Treasury declared emphatically that "there was no intention by the Administration of increasing the price of gold, but that the Government would continue to buy all that was offered".

South Africa Now Selling Pure Gold

While the buyers of gold are now more difficult to find, especially since the French lost their traditional interest in the metal since last summer, more gold has been finding its way on to the free market. Moreover, in an effect to attract buyers, the biggest producer of gold, the Union of South Africa, decided recently to market 100 per cent fine (24 carats) gold. Up to now, South Africa made some pretense of following the rules of the International Monetary Fund by marketing the so-called processed gold, ornaments, strips bars, statues, etc. made out of 22 carat gold. Thus the buyer will from now on avoid the additional cost of having gold remelted into bars of the customary fineness.

But while the Free World producers of gold have abandoned whatever limitations there were on the fineness and the quantity of gold sold in free markets, gold has also begun to appear from behind the Iron Curtain.

Speculation About Russian Gold Sales and Stocks

The Russians have always been suspected of selling gold bars or coins on free markets whenever there was need to raise hard cash for propaganda or espionage. However, recently considerable quantities of Soviet gold, silver, and platinum have been sold in Amsterdam and London against payment in sterling. This selling has naturally raised some speculation as to the reasons and the possibility of further Russian dumping of gold.

In the first place, the sales made thus far have involved only about $60 to $70 million worth of gold. This may be a large amount from the viewpoint of free market demand which, as was mentioned earlier, is at present around $200 million a year. But it is a small amount from the viewpoint of international gold stocks.

Second, how much gold have the Russians? That is probably one of the most closely guarded secrets of the Kremlin. All the figures that one sees are nothing but more or less "informed guess – estimates". The late, and now quite tarnished, Harry Dexter White, when advocating a $5 to $10 billion "reconstruction" loan to the Soviet Union, estimated the prewar Russian gold reserve (in a memorandum to President Roosevelt) at about $2 billion, apart from the gold held in the Soviet Treasury's slush fund. If new Russian gold production was maintained at the prewar rate, which was about $200 million per annum, the Soviets should have added about $3 billion to their prewar gold reserves. Actually they may have added more, because of the great expansion of Russian non-ferrous metal production, in which gold is usually an important by-product. Our guess is that the Russians may have between $5 and $6 billion in gold. In addition, the satellite countries have probably another billion, Roumania at least has always been among the important producers.

Estimates of "Disappeared" Gold

(In Millions of Dollars)

	Gold Output (ex. Russia)	Gold Used in Industries	Increase in Official Reserves	"Private Hoarding"
1946	756	280	350	126
1947	767	120	430	217
1948	798	170	380	248
1949	833	200	480	153
1950	858	210	410	238
1951	840	220	130	490
1952	861	230	310	321
1953 est.	870	220	450	200

Source: BIS reports, 1946-1952.

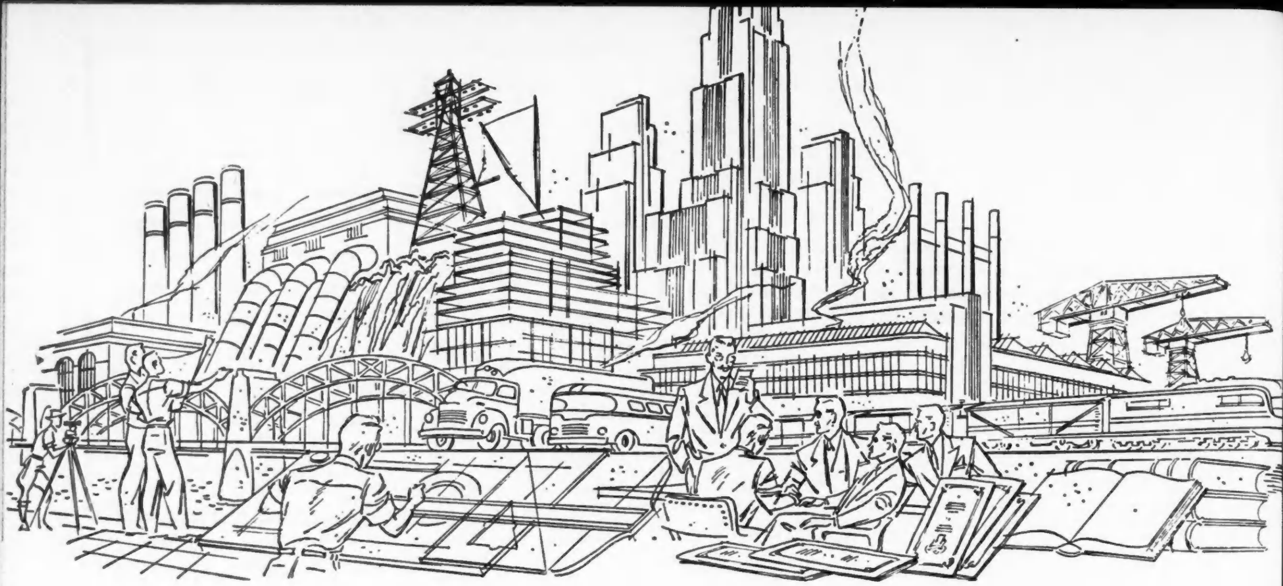
Uranium Likely to Help Gold Producers

The Russians are, of course, not going to unload all their gold stock on the market. They may unload a small part of it, not so much because of economic weakness of the Union, but rather because of the new policy of getting the Russian consumer acquainted with such products as coffee, cocoa and citrus fruit which have been denied to him for the last 35 years.

What can be said in conclusion about the future price of gold? The premium paid in the gold market is unlikely to disappear altogether unless there is big Russian selling in free markets. There will always be some buyers of gold at around $35 per ounce as long as there are inconvertible currencies and as long as the cold war continues or the chance of small "hot wars" exists. While hoarding will continue in one part of the World, there might be dishoarding in another particularly if the trend toward deflation becomes more marked.

The best estimates place privately held gold, apart from ornaments and industrial gold, at about $10 to $11 billion. France alone holds 60 per cent of this amount. If only a small part of this gold should find its way into the treasuries and central banks, many foreign countries would be in a position to ease their foreign exchange and frade restrictions, particularly as there is also a gain in gold from transactions with the United States.

Furthermore, the narrowing of the premium in the free market, the dishoarding of gold, and potential Russian sales are likely to take the wind out of the rumors of gold *(Please turn to page 288)*



Dissecting 5 Key Companies

By GEORGE L. MERTON

From time immemorial mankind has paid tribute to wisdom and strength. Many proverbs come to mind confirming this universal attitude; such as, "The race is to the swift and the battle to the strong"; and the philosophy of "survival of the fittest." Any critical observer of this state of affairs in the business world may be reminded of the Biblical story of the talents as related in the Gospel of Matthew: "Unto everyone that hath shall be given, and he shall hath abundance: but from him that hath not shall be taken away even that which he hath."

What magic philosophy or management policies can be called upon to assure the growth of industrial giants such as E. I. duPont, de Nemours & Co., General Electric, General Motors, Standard Oil of New Jersey and U. S. Steel? Here are five companies accounting for some $23,000 million in sales, or more than 8 per cent of the nation's business. In searching for a secret formula to explain the success of concerns such as these it is apparent that at least one hackneyed excuse may be eliminated; these companies gained stature without the benefit of government assistance. In an atmosphere in which everything was done to help small business and to hamper "big" business these powerful corporations grew bigger.

Vital to Nation's Economy

Before examining the individual managements and searching for the source of genius, it may be appropriate to observe that the success and failure, or the prosperity and adversity, of these several companies find reflection in the nation's entire economy. As they go, so goes the nation, one might say—which may not be too much of an exaggeration. The explanation, of course, is not difficult to appreciate. Each of these companies employs tens of thousands of workers and each purchases materials of one sort or another from scores of other concerns which in turn employ hundreds of thousands of others. More important, however, these companies represent a broad section of the nation's business entity, and changes in industrial activity or in other economic aspects are quickly reflected in the affairs of one or all of the industrial giants.

As one looks more closely into operations of large companies like these he notes certain characteristics which seem to account for dynamic progress. Several of these may be discussed in a general way before we turn to brief glimpses into the several individual concerns.

An Essential Factor

Probably the most important single factor contributing to leadership in all these instances is *volume.* No one needs to be a professional economist to understand that the larger volume of sales a manufacturer attains, the better able he is to lower the unit cost of the article produced; hence, the better able he is to improve his profits over competitors. Profits need not show up as such, for they may be utilized before becoming subject to federal taxes. That is to say, income that well might be siphoned off in taxes can be channeled into research and into improved facilities that help bring about the discovery of new products or improve older items and bring down production costs.

No one needs to be a manufacturer to realize that if he has to pay the same wage rates as the larger competitor and is compelled to provide "fringe benefits" like insurance, pensions, etc., on a comparative scale, he is at a disadvantage in being unable to enlarge his production to gain the benefits of economies on volume output. Large concerns are in a better position to hire talent and to spend large sums on advertising or other types of sales promotion. In this day and age when the consumer is so respon-

sive to style factors and to vigorous promotion, it is little wonder that the big companies lead the way in expansion.

That the companies cited here, as well as other large industrial enterprises, have grown and prospered in face of many handicaps set up by government authorities dedicated to the principle of deflating "big business" is a tribute to the courageous and capable managers who demonstrated that political philosophies seldom can hamper powerful economic laws so long as the capitalistic system is permitted to function.

The managers of these companies would be the last to contend, however, that there is no place for small business. They have high regard for the great army of small businessmen who serve a vital economic purpose. So this commentary is not intended to imply that the big should grow bigger only to swallow the small and faster giant monopolies. No such thought is contained in this brief look at five major pacesetters which will be followed in later issues by full reviews of each.

E. I. du Pont

	1943	1953
Number of Common Stockholders (Thou.)	71	127[1]
Net Plant & Equipment (Mil.)	$262	$537[1]
Net Sales (Mil.)	$585	$1,780*
Net Income (Mil.)	$ 69	$230*
Total Common Dividends Paid (Mil.)	$ 47	$160**
Price Range—Common Stock	39⅜-33½	105⅞-91[2]

*—Estimated　[1]—1952.
**—Indicated total.　[2]—To November 16, 1953.

Several significant factors can be mentioned to account for the pre-eminence of E. I. duPont, de Nemours & Co. Founded in the early days of the republic to engage in the production of powder, the company had its roots in the traditions of the Old World. Great emphasis was placed on careful workmanship, on quality and on good customer relations. Thus the duPont company had an early start on most of its competitors and solidified its leadership with aggressive merchandising. Alert management provided for specialized research to find related products that could be made when the demand for powder lagged.

Utilization of chemicals in the production of powder naturally directed research into chemical channels, where rich rewards waited. Development of vital materials from cellulose enabled the company to attain leadership in the manufacture of items that gained almost universal acceptance. Here again large volume enabled management to reduce prices and enlarge consumer markets. Discoveries such as cellophane, lacquers, dyestuffs and synthetic fibres like nylon broadened the company's field of activities and accelerated research. At a recent date, expenditures on research currently were running in excss of $50 million annually. No qustion that the management intends to retain its leadership.

The duPont company had the good fortune to select chemicals in which to expand operations. The chemical industry has been among the most aggressive and successful in developing consumer products. Growth has averaged about 10 per cent annually for a generation or longer, whereas the American economy as a whole has averaged about 3 per cent each year in registering forward progress. duPont's sales show indications of ranging well above $1,900 million this year for a gain of 17 per cent or more; an increase in the year of perhaps $290 million, or more than the company's total net shipments of $286 million in 1937.

When growth reaches the stage where a single year's increase in volume approximates total annual sales only a decade and a half earlier, it becomes evident that the dynamic qualities which gave impetus to the early rise to fame and fortune have not lost their effectiveness. Covering practically the entire range of chemical production, the company has aggressively exploited these products through farflung promotion programs. These persistent efforts are a characteristic of this solidly-built concern. At the same time, it has kept pace in retaining a powerful financial position.

General Electric

	1943	1953
Number of Common Stockholders (Thou.)	230	252[1]
Net Plant & Equipment (Mil.)	$ 53	$379[1]
Net Sales (Mil.)	$1,360	$3,125*
Net Income (Mil.)	$ 45	$155*
Total Common Dividends Paid (Mil.)	$ 40	$115**
Price Range—Common Stock	39⅞-30¾	84⅛-66¼[2]

*—Estimated　[1]—1952.
**—Indicated total.　[2]—To November 16, 1953.

General Electric Company enjoyed many of the advantages ascribed to duPont. Its origin dates back 75 years to the formation of the Edison Electric Light Company organized to popularize and produce a new source of light, the incandescent lamp. Priority in the new field naturally gave G.E. a distinct opportunity to assume and maintain leadership. The dynamic growth of the new contribution to science necessitated development of equipment for power plants as well as electrical appliances. Here again, aggressive management has never lost sight of the need of capitalizing upon patent position, effective research and a vast market.

Early leadership attracted offerings of inventions from pioneers in many activities—such as the steam turbine. G.E. acquired the patent from C. G. Curtis in 1902, and its contribution to the growth of G.E. scarcely can be overestimated. Electrical apparatus gave impetus to tremendous industrial expansion in the early decades of this century as power was provided for operation of machines. From the tiny incandescent bulb G.E. products have grown over the intervening 75 years to all manner of motors for trolley cars, huge locomotives and even jet planes. An infinite variety of appliances evolved from research laboratories to make housework easier. Space is too limited to enumerate all the hundreds of items that have contributed to G.E. leadership.

The fact that sales of General Electric registered an increase of about 33 per cent in the first half of this year indicates that growth shows no sign of slackening. Progress may be attributed not merely to the large volume of defense work in connection with operation of a plant for the Atomic Energy Commission, but also to the upsurge in consumption of electricity, which, of course, necessitates construction of additional generating plants. Rising wage rates have spurred mechanization in homes and in factories, and this trend steadily is enlarging markets for electrical products. Sales this year seem

likely to range above $3,200 million for an increase of $600 million or more over 1952. As recently as 1941 sales had never reached a total of $700 million in a year. One can only imagine what the step to atomic power plants may mean for this leading company with its outstanding management.

General Motors

	1943	1953
Number of Common Stockholders (Thou.)	402	459[1]
Net Plant & Equipment (Mil.)	$327	$1,262[1]
Net Sales (Mil.)	$3,796	$10,100*
Net Income (Mil.)	$149	$575*
Total Common Dividends Paid (Mil.)	$ 87	$350**
Price Range—Common Stock	28⅛-21⅞	69¾-53[2]

*—Estimated [1]—1952.
**—Indicated total. [2]—To November 16, 1953.

The rise to leadership of General Motors cannot be so readily explained as was the case with the two companies previously discussed. G. M. was among the early manufacturers of horseless carriages, but the company as it now is constituted did not take shape until World War I when the several individual motor car manufacturers making up the concern were brought together. Profit possibilities in the stock market undoubtedly played a part in rounding out the organization. Aggressive merchandising was not lacking, however, and more than adequate engineering skill must have been contributed to the cars of the early 1920's.

Application of modern manufacturing technics gave impetus to the company's climb to pre-eminence in the late 1920's and in the 1930's, when conditions became highly competitive. Establishment of a strong dealer organization probably was one of the principal keys to G.M.'s progress through the depression years. Research took the form not only of developing practical mechanical improvements but also of sounding out consumer preferences. General Motors models appear to have gained wider acceptance than those of most competitors because they were made with an eye to style likely to please the woman customer—and women have done most of the selecting of the family car in the last decade or two.

Dominance of G.M. in the passenger car field may be appreciated by noting that 41 per cent of U. S. and Canadian output of motor cars and commercial vehicles last year came from G.M. plants. The company has attained leadership also in Diesel locomotives and is among the larger manufacturers of aircraft engines. Many household appliances, including electric refrigerators, electric ranges, automatic washers and dryers, etc., are produced. Bulk of sales is accounted for by automotive products, however, and it is in this field that leadership is most evident.

Standard Oil of New Jersey

	1943	1953
Number of Common Stockholders (Thou.)	147	269[1]
Net Plant & Equipment (Mil.)	$1,108	$2,518[1]
Net Sales (Mil.)	$1,302	$3,900*
Net Income (Mil.)	$121	$560*
Total Common Dividends Paid (Mil.)	$ 54	$272**
Price Range—Common Stock	30-23⅛	78⅝-67[2]

*—Estimated [1]—1952.
**—Indicated total. [2]—To November 16, 1953.

Bigness in Standard Oil Company (New Jersey) should be attributed in no small measure to its early dominance of a tremendous industry and to its fortunate location as well as to its essential facilities at the outbreak of World War I, when refined petroleum products became vital to the Allied military forces. The modern history of this major representative of oil production, refining and marketing began in 1911 upon dissolution of the co-called "oil trust." Actually the company had its origin more than half a century earlier as John D. Rockefeller stepped into the early activities that followed the successful oil well in Titusville, Pa., in 1859.

Following the breakup in numerous individual units, New Jersey Standard began operations with a surplus of large refineries in the populous North Atlantic area and with valuable foreign properties. The advent of European hostilities in 1914 spurred demand for gasoline and enabled the company to capitalize on its favorable location. Foreign operations grew rapidly and became increasingly important. Growth included acquisition of large domestic crude resources and transportation facilities. Foreign connections paved the way for obtaining German "know-how" and for placing emphasis on research.

The vigorous growth of automobile transportation in the 1920's, especially along the Eastern seaboard, where Jersey Standard was strongly entrenched, added to solidification of its competitive position. Leadership attained a quarter of a century ago has been maintained. Sales volume has expanded commensurately with the industrial growth in the territory served and in line with the gain in population. Sales are expected to record substantial improvement this year in reflecting the industry's forward progress.

Interesting progress has been made in chemical research. Jersey Standard scientists are credited with the creation of butyl, a type of synthetic rubber which solved the wartime scarcity crisis. Numerous other developments, some of a military nature, have contributed to enlargement of volume. In the important division of producing and marketing refined petroleum products the company continues to set a swift pace. Its technical staff is maintained at the highest point of efficiency, which is vital to the company's operations.

U. S. Steel

	1943	1953
Number of Common Stockholders (Thou.)	165	223[1]
Net Plant & Equipment (Mil.)	$1,010	$1,851[1]
Net Sales (Mil.)	$1,973	$3,850*
Net Income (Mil.)	$ 63	$220*
Total Common Dividends Paid (Mil.)	$ 34	$ 78**
Price Range—Common Stock	19¾-15¾	44⅛-33½[2]

*—Estimated [1]—1952.
**—Indicated total. [2]—To November 16, 1953.

Representing a consolidation of several sizeable steel properties more than half a century ago, United States Steel began its career as the largest concern in its industry and has maintained this rank by continuing to expand in keeping pace with the needs of the country. At its inception the company had an important advantage. The consolidation was well conceived to bring together about the best integrated properties that could be assembled at the turn of the century. Well bal- (*Please turn to page* 282)

Companies With High Earnings

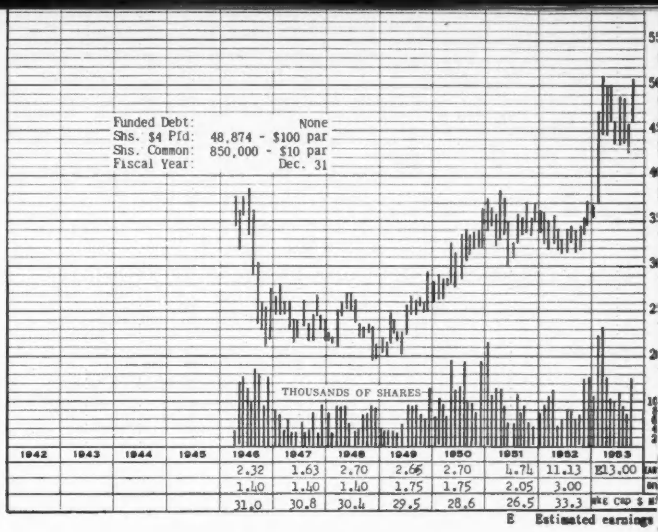
By OUR STAFF

Selectivity continues to feature security movements and in recent weeks there were about as many year's lows as highs recorded daily. This is the product of continuous revaluation of company prospects. Two factors stand out as being chiefly responsible for individual stock movements. One is the emphasis placed on earnings reports as issued, and the second is the information gleaned from these reports in respect to future earnings prospects. The best market performance, accordingly, is in those issues which reflect both good earnings for the first nine months of the year and at the same time give evidence of prospects for continued good earnings.

We have made a special analysis of recent earnings reports and have selected out of a considerable number, four companies which have made a particularly good showing this year, and which are likely to make an equally good showing at least the first half of 1954. The fifth stock which we added, Twentieth Century Fox, belongs in a different category but is included because new developments affecting the company seem encouraging.

The four that have been favored by excellent earnings and which are described more fully in the adjoining text, are: Revere Copper & Brass, Cincinnati Milling, General Dynamics and Lockeed Aircraft. Recent earnings trends of these companies are a continuation of trends established several years ago, which give them a more than transitory significance. Aside from Cincinnati Milling which has considerable investment value, the others are of a more speculative character and more properly belong in portfolios in which a certain percentage of funds is marked for such purposes.

Pertinent data on the companies will be found at the end of each individual text. (Please note: The feature "5 Stocks at Bargain Prices" scheduled for this issue has been postponed for later publication.)



THE CINCINNATI MILLING MACHINE CO.

BUSINESS: The company is one of the largest machine tool builders in the United States, holding an important position as a manufacturer of milling machines, and rounding out activities with a wide range of other machine tools, ranging from bench drills, surface, broaching and lapping equipment, to "elephant" metal forming machines.

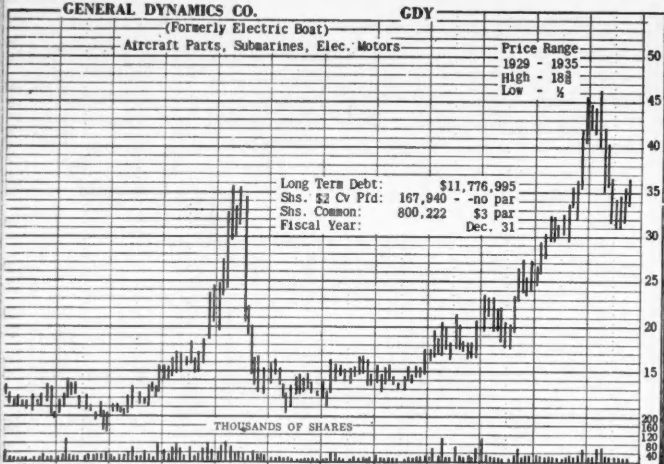
OUTLOOK: Cincinnati Milling is one of the most outstanding of all the machine tool manufacturers, ordinarily accounting for more than 10 per cent of the domestic machine tool industry's shipments. In addition to its several plants in this country, it operates, through wholly-owned subsidiaries, plants in Birmingham, England, and The Netherlands which produce certain types of machine tools from the parent company's designs. An American subsidiary, Carlisle Chemical Works, Inc., manufactures metal cutting oils, and specialty items for the food, soap, chemical, and building materials industries. Although the parent company had its origin in a business established 70 years ago, its common stock of which there are 850,000 shares outsatnding, was first listed on the New York Stock Exchange in 1946. It has a comparatively stable earnings record, operating profitably in every one of the last 16 years, with net income rising from $1.63 a share in 1947 to $11.14 a share in 1952. This all-time record should be surpassed in the current year. For the 40 weeks to last Oct. 3, net earnings available for the common stock amounted to $10.30 a share, indicating net for the full year of close to $14 a share. Reflected in this rapid growth of earning power, of course, is the demand for machine tools in connection with the defense program, but an important contributor to higher sales and net earnings has been the need for new and more modern machine tools by various industries to keep pace with new manufacturing techniques. This trend continues, and is likely ot hold well into the future as automation in industry broadens.

DIVIDENDS: Payments during 1953 were maintained at a $3 a share annual rate. In view of recently demonstrated earning power this rate could be readily increased.

MARKET ACTION: Recent price of 51, compares with a 1952-53 price range of High—52½, Low—31¼. At current price the yield is 5.9%.

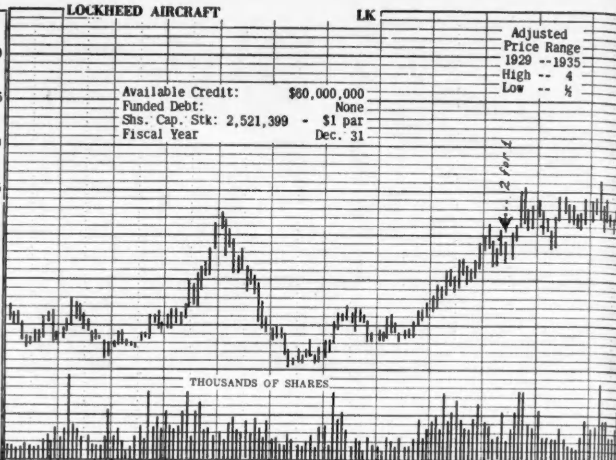
COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1952	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 20,183	$ 19,425	—$ 758
Receivables, Net	4,303	21,817	+ 17,514
Inventories	9,328	23,383	+ 14,055
Coll. on Uncomp. Contr.	....	(cr) 7,270	+ 7,270
Other Current Assets	3,847	422	— 3,425
TOTAL CURRENT ASSETS	37,661	57,777	+ 20,116
Net Property	2,253	11,084	+ 8,831
Investments	6,176	6,226	+ 050
Other Assets	569	1,660	+ 1,091
TOTAL ASSETS	$ 46,659	$ 76,747	+$ 30,088
LIABILITIES			
Notes Payable	....	$ 10,000	+$ 10,000
Accounts Payable	$ 1,439	4,432	+ 2,993
Tax Reserve	5,036	4,596	— 440
Accruals	2,545	4,961	+ 2,416
TOTAL CURRENT LIABILITIES	9,020	23,989	+ 14,969
Reserves	14,942	15,410	+ 468
Preferred Stock	4,887	4,887	....
Common Stock	7,331	8,500	+ 1,169
Surplus	10,479	23,961	+ 13,482
TOTAL LIABILITIES	$ 46,659	$ 76,747	+$ 30,088
WORKING CAPITAL	$ 28,641	$ 33,788	+$ 5,147
CURRENT RATIO	4.1	2.4	— 1.7



1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	
1.87	2.46	2.75	3.11	1.98	.37	2.49	.13	1.52	4.53	5.72		EARN.
1.00	1.25	1.50	1.50	*1.25	1.00	1.50	1.50	1.25	2.00	2.25		DIV.
14.8	15.1	15.3	16.8	16.9	16.8	17.0	16.3	15.0	19.4	22.1	Wkg Cap $ Mil	

*Plus Pfd. Stk.



1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	
3.79	3.72	2.10	2.54	1.42	d 1.15	2.90	2.55	3.23	2.55	3.61		
1.00	1.00	1.00	1.00	.50	-	.75	1.00	1.50	1.10	*1.20		
12.0	109.0	23.7	42.6	35.6	27.5	31.1	28.7	28.2	31.6	36.1	Wkg Ca	

*Plus Stk Div

GENERAL DYNAMICS CORPORATION

BUSINESS: Through its Electric Boat Division, General Dynamics, is a builder of submarines for the U. S. Navy, and its 97% owned Canadair, Ltd., is Canada's largest aircraft manufacturer. Another division, Electro Dynamic, produces motors and generators for shipboard and other uses. The company also has a large interest in Consolidated Vultee Aircraft Corp., (Convair) builders of military and commercial aircraft.

OUTLOOK: The company is successor, by change of name in 1952, to the Electric Boat Co., builders of various types of submarines, including current construction of the first atom-powered submersibles for the U. S. Government. Canadair, Ltd., which is also one of the world's foremost aircraft builders has sizable contracts for Sabre jet fighter planes for the Canadian Government, as well for the British Royal Air Force, and reciprocating and jet engine training planes for the U. S. Air Force and the Royal Canadian Air Force, respectively. As of June 30, last, General Dynamics' backlog of firm orders and letters of intent totaled approximately $253 million. Net sales which reached a record high in 1952 of $134.5 million, compared with $82.6 million in 1951, are expected to reach an all-time high in the current year. This estimate is based on first half sales of $102.6 million, or more than double the $50.1 million in net sales shown for the same period of 1952. Net income for 1953 is expected to show a parallel gain. For the first six months, per share earnings for the common stock were equal to $3.61, against $2.46 a share in the corresponding months of 1952, indicating full 1953 results of approximately $7.35 a share, an all-time high, surpassing the $5.72 a share earned in 1952 and $4.53 a share realized in 1951. Considering recent earnings, management has pursued a conservative dividend policy, paying out only $1 a share in 1951 and $2.25 a share last year, apparently preferring to build working capital which as of June 30, last, stood at approximately $24 million, compared with $15 million at the end of 1950.

DIVIDENDS: Payments in varying amounts have been made without interruption since 1936. 1953 payments totaled $2.25 a share, plus 75¢ payable Jan. 4, next.

MARKET ACTION: Recent price of 34, compares with a 1952-53 price range of High—46¾, Low—24½. At current price the yield is 8.6% based on a $3 annual dividend.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1943	1952	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 11,951	$ 21,489	+$ 9,538
Receivables, Net	9,273	12,844	+ 3,571
Inventories	7,422	22,188	+ 14,766
TOTAL CURRENT ASSETS	28,646	56,521	+ 27,875
Net Property	2,660	6,840	+ 4,180
Other Assets	1,866	1,136	— 730
TOTAL ASSETS	$ 33,172	$ 64,497	+$ 31,325
LIABILITIES			
Accounts Payable	$ 2,854	$ 12,783	+$ 9,929
Accrued Taxes	8,229	5,886	— 2,343
Accruals	2,379	2,585	+ 206
Cust. Advances	....	13,094	+ 13,094
TOTAL CURRENT LIABILITIES	13,462	34,348	+ 20,486
Other Liabilities	2,234	316	— 1,918
Reserves	4,120	....	— 4,120
Long Term Debt	....	3,077	+ 3,077
Preferred Stock	....	8,397	+ 8,397
Common Stock	2,174	2,401	+ 227
Surplus	11,182	15,958	+ 4,776
TOTAL LIABILITIES	$ 33,172	$ 64,497	+$ 31,325
WORKING CAPITAL	$ 15,184	$ 22,173	+$ 6,989
CURRENT RATIO	2.1	1.6	— .5

LOCKHEED AIRCRAFT CORPORATION

BUSINESS: Lockheed, famous for its Super-Constellations, is one of the nation's greatest producers of commercial and military airframes of its own design and manufacture.

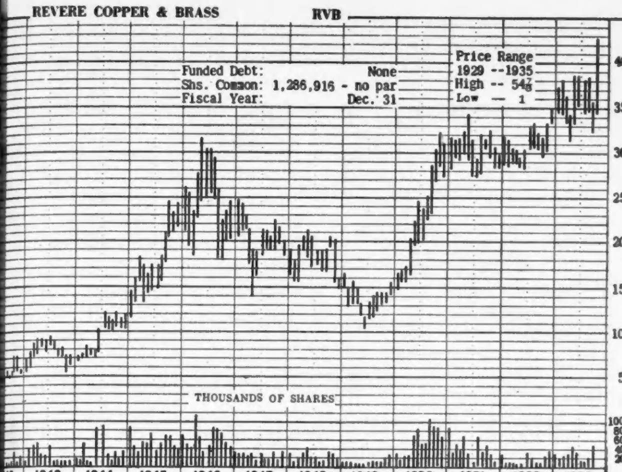
OUTLOOK: The company is one of the fastest growing aircraft manufactures. Sales of airplanes, parts and services for 1952, totaled $438.1 million, an increase of 85% over 1951 sales of $237.2 million, and more than two and one-half times 1950 sales volume. Contributing to the strength of this company is the broad diversification of operations, including, in addition to the Super-Constellations for use of the military as well as for commercial transports, other types of reciprocating as well as jet engine powered fighters, jet powered trainers and patrol bombers. Net earnings for 1952 equaled $3.61 a share for the common stock, the company's sole capitalization. After adjustment for the 1951 two-for-one split, these earnings compare with $2.55 a share in 1951, and $3.23 in 1950. Lockheed will establish new high records for 1953 sales and net income. Sales volume for the six months to June 30, last, totaling $389 million was more than double the $118.6 million shown for the like months of 1952, and produced net income of $9 million, equal to $3.60 a share, as compared with $2.6 million, or $1.04 a share in the 1952 first half, allowing for the 10% stock dividend paid in January, 1953. The outlook for the coming year gives promise of operations paralleling those of this year. As at the end of June, 1953, the order backlog amounted to $1,687 million, including orders for 87 Super-Constellations for delivery to domestic and foreign commercial airlines. As of June 30, the company had on hand $43 million in cash; only $46 million of $60 million in bank credits were drawn down.

DIVIDENDS: So far this year three 37½c quarterly dividends, plus the stock dividend, have been paid. It is believed that declaration of final quarter dividend may be accompanied by an extra in cash or stock.

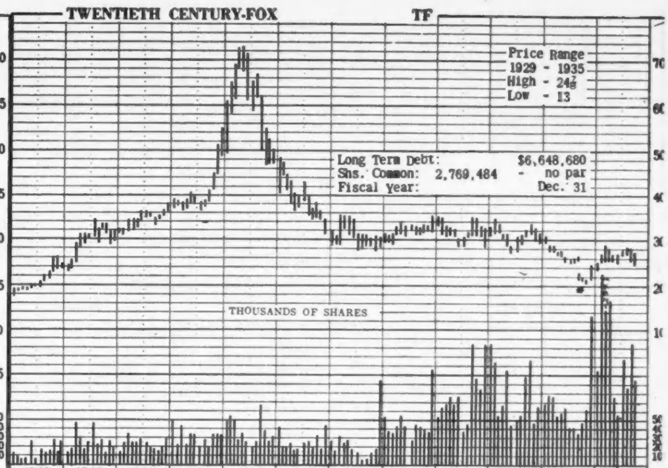
MARKET ACTION: Recent price of 27, compares with a 1952-53 price range of High—27¾, Low—16¾ (adjusted). At current price the yield on cash basis is 5.5%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1943	1952	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 67,413	$ 49,357	—$ 18,056
Receivables, Net	106,208	56,009	— 50,199
Inventories	50,621	77,744	+ 27,123
Other Current Assets	8,917	7,486	— 1,431
TOTAL CURRENT ASSETS	233,159	190,596	— 42,563
Net Property	19,841	25,901	+ 6,060
Investments	3,877	5,469	+ 1,592
Other Assets	8,583	1,512	— 7,071
TOTAL ASSETS	$265,460	$223,478	—$ 41,982
LIABILITIES			
Notes Payable — Banks	....	$ 46,000	+$ 46,000
Accounts Payable	$ 40,834	36,526	— 4,308
Accruals	21,965	14,905	— 7,060
Accrued Taxes	59,388	11,634	— 47,754
Adv. & Dep. on Contr.	1,911	45,353	+ 43,442
TOTAL CURRENT LIABILITIES	124,098	154,418	+ 30,320
Other Liabilities	....	7,191	+ 7,191
Reserves	18,053	....	— 18,053
Notes Payable — Banks	90,000	....	— 90,000
Capital Sotck	1,076	2,512	+ 1,436
Surplus	32,233	59,357	+ 27,124
TOTAL LIABILITIES	$265,460	$223,478	—$ 41,982
WORKING CAPITAL	$109,061	$ 36,178	—$ 72,883
CURRENT RATIO	1.8	1.2	— .6



	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	.86	1.23	1.72	.32	3.61	5.93	5.02	3.56	8.47	5.38	5.27	E7.00
DIV.		-	-	-	.25	1.00	1.25	1.50	2.50	2.50	2.50	
Wkg Cap $ Mil	.5	17.7	20.7	24.1	25.3	27.5	26.4	27.5	25.8	29.3	31.4	



	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	5.30	5.37	6.04	5.27	7.90	4.81	4.29	4.28	3.26	1.47	1.71	
DIV.	1.25	2.00	2.00	2.50	4.00	3.00	2.00	2.00	2.00	2.00	1.00	
Wkg Cap $ Mil	36.9	36.9	42.3	53.4	69.3	77.6	80.9	83.1	88.8	72.4	66.1	

REVERE COPPER & BRASS, INC.

BUSINESS: As one of the largest of the copper fabricators, Revere manufactures a well diversified line of copper, brass, bronze and aluminum products for use in construction fields, electrical, automotive and other industries, household appliances, kitchen utensils, and airconditioning equipment.

OUTLOOK: Revere Copper & Brass, at one and the same time, is the oldest and largest independent copper fabricator and one of the most aggressive and modern, not only maintaining its position in this field, but developing as this country's largest non-integrated fabricator of wrought aluminum mill products. Its rapid expansion into the aluminum production parallels the increasing usage of the metal in heavy and light industry. Its 10 plants in locations from coast to coast are equipped with the most modern machinery to reduce production costs, improve quality, and expand productive capacity. Research is engaged in a wide range of diversified activities closely coordinated with those of the company's sales and manufacturing groups, and aimed at maintaining present and future operations on a profitable basis by opening large new markets for its various products in both copper and aluminum. Reflecting this progress is the growth in net sales from $116 million in 1946, to a record high of $187.7 million in 1952, which was surpassed in the first 9 months of this year with net sales of $195.6 million. Net earnings for the 9 months equalled $6.14 a share, as compared with $3.72 a share for the corresponding period of 1952. On the basis of 1953 first three-quarters, net for the full year is likely to approach $8.40 a share, compared with $5.28 a share in 1952, when operations were hampered by work stoppages and earnings curtailed by government price regulations. The company has no funded debt nor preferred stock, its sole capitalization consisting of 1,286,916 common shares. It has strong finances, and as at the end of last year current assets of $43.1 million exceeded current liabilities by $31.4 million.

DIVIDENDS: Payments on an ascending scale have been made since 1947, those for 1953 increasing to $3 a share from $2.50 made in 1950-52. A dividend of $1 a share is payable Jan. 5, next, the ex-dividend date being Dec. 10, 1953.

MARKET ACTION: Recent price of 41, compares with a 1952-53 price range of High—42⅞, Low—28⅛. At current price the yield is 7.3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1943	1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 3,358	$ 7,887	+$ 4,529
Receivables, Net	7,252	9,999	+ 2,747
Inventories	14,328	24,136	+ 9,808
Other Current Assets	....	1,114	+ 1,114
TOTAL CURRENT ASSETS	24,938	43,136	+ 18,198
Net Property	13,202	23,250	+ 10,048
Invest. & Receiv.	278	1,182	+ 903
Other Assets	2,813		— 2,813
TOTAL ASSETS	$ 41,231	$ 67,568	+$ 26,337
LIABILITIES			
Accounts Payable	$ 3,135	$ 6,788	+$ 3,653
Tax Reserve	2,506	2,552	+ 046
Accruals	1,579	2,391	+ 812
TOTAL CURRENT LIABILITIES	7,220	11,731	+ 4,511
Other Liabilities	....	626	+ 626
Reserves	3,858	2,150	— 1,708
Long Term Debt	5,829	....	— 5,829
Preferred Stock	11,266	....	— 11,266
Common Stock	5,057	4,887	— 170
Surplus	8,001	48,174	+ 40,173
TOTAL LIABILITIES	$ 41,231	$ 67,568	+$ 26,337
WORKING CAPITAL	$ 17,718	$ 31,405	+$ 13,687
CURRENT RATIO	3.4	3.6	+ .2

20th CENTURY-FOX FILM CORPORATION

BUSINESS: Long a leader in the production and distribution of motion picture films, 20th Century-Fox has further strengthened its position in the film industry through its pioneering and development of CineaScope, the new technique in photographing and projecting motion pictures in black and white or in color.

OUTLOOK: This company divested itself of theatre operation last September, in accordance with a consent judgment stemming from the Federal Government's anti-trust suit against Fox and other motion picture companies. For 1952, the company, on the basis of its operations as a film producer and distributor only, did a film rental business totaling $93.1 million on which it earned $1.18 a share for its common stock, compared with 77 cents a share in 1951, and $1.56 a share in the year previous. Management recognized that the entire industry was in something like the doldrums which some producers were attributing to competition from TV receiving sets, while others saw the desirability of applying improved techniques to the filming of pictures and projecting them on moving picture theatre screens. In keeping with its foremost position in the industry, 20th Century-Fox, shunning any attempt to produce pictures with three dimensions that required polarized glasses or made necessary high cost alterations in movie houses, proceeded to develop CineaScope, which has caught on to such an extent that already Metro-Goldwyn-Mayer and Warner Bros., have contracted with the company to use this process in the filming of their productions, and in addition Fox has licensed the Bell & Howell Co., to manufacture CineaScope lenses for sale to theatre supply houses. The first picture to be released by Fox produced by the CineaScope method has been "The Robe" which has broken attendance records. Three more CineaScope releases are scheduled for this year, with 18 to follow during 1954. Earnings for this year are not likely to improve on 1952 showing, but the potentials for the company give its share an improved speculative appeal at current market price.

DIVIDENDS: The company continues to maintain dividend payments at the rate of $1 a share annually, compared to 50 cents a share in 1952.

MARKET ACTION: Recent price of 18 compares with a 1952-53 price range of High—19¼, Low—10½. At current price the yield is 5.5%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 25 1943	Dec. 27 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 38,499	$ 13,060	—$ 25,439
Receivables, Net	5,119	10,880	+ 5,761
Inventories	33,212	58,881	+ 25,669
Other Current Assets	2,740	842	— 1,898
TOTAL CURRENT ASSETS	79,570	83,663	+ 4,093
Net Property	39,439	13,207	— 26,232
Investments	6,285	7,566	+ 1,281
Other Assets	7,129	3,667	— 3,462
TOTAL ASSETS	$132,423	$108,103	—$ 24,320
LIABILITIES			
Notes & Debt Payable	$ 893	$ 2,491	+$ 1,598
Accounts Payable	6,269	11,789	+ 5,520
Tax Reserve	32,906	2,691	— 30,215
Accruals	2,522	580	— 1,942
TOTAL CURRENT LIABILITIES	42,590	17,551	— 25,039
Other Liabilities	4,381		— 4,381
Reserves	....	3,992	+ 3,992
Long Term Debt	10,334	6,649	— 3,685
Preferred Stock	10,000		— 10,000
$1.50 Pfd. & Common Stock	32,000		— 32,000
Common Stock	....	2,769	+ 2,769
Surplus	33,118	77,142	+ 44,024
TOTAL LIABILITIES	$132,423	$108,103	—$ 24,320
WORKING CAPITAL	$ 36,980	$ 66,112	+$ 29,132
CURRENT RATIO	1.8	4.7	+ 2.9

Exchanging 25 Static Issues for 12 Promising Ones

By J. C. CLIFFORD

Ever since the capital gains tax—and, in more recent years, high income taxes—became a compelling factor in profits and losses on securities, investors have found it beneficial to re-examine their portfolios for the purpose of (1) taking advantage of tax losses and (2) strengthening their holdings. Preparations for making up individual tax reports usually start in the closing weeks of the year, which accounts for a good deal of "tax switching" at that time.

The amount of switching depends on the condition of the market. The decline in securities, which predominated for most of this year, furnished an obvious background to increased tax-selling which may be expected to take place from now until the end of 1953. Many investors, however, have learned that it is not necessary to wait until the close of the year to make their adjustments so that a good deal of tax selling probably has already taken place, notably during the late summer months when the market was at its weakest.

In making tax switches, timing is an important consideration. To switch immediately from a stock selling at its low into another selling at or near its high, especially after a prolonged rise in the latter, might involve the investor in a new set of losses. It is urged that caution be used in the timing of sale and purchase even when it is likely that the position of the portfolio would be improved by making the exchange.

As a general principle, when the investor has decided to liquidate a position in a particular stock, whether for tax purposes or because of intrinsic demerit, it would be wise not to sell on weakness but wait for market rallies. Quite often, considerable savings can be obtained by exercising patience. By the same token, it may also prove wise to wait before completing the switch in order to obtain a more advantageous buying point on market weakness. In the meantime, the cash realized from the sale should be earmarked for the specific purpose of completing the switch when a more favorable opportunity occurs. In preparation, the investor should have before him, in advance of the time when he makes his purchase, a list of stocks which he has carefully investigated and which offer him an opportunity to better his position. Without the need of hurrying to complete his switching transaction, the investor may now at his leisure decide which of these stocks would suit his purposes best and at which price he should consider making the new investment. That, of course, will depend on future market conditions and these developments should be followed carefully.

Before proceding on to the main task of this article which is to explain how investors in the 25 stocks listed in the accompanying table as undesirable can improve their position, it would be helpful to indicate some important "do's and don'ts" in switching, aside from those already commented on.

Some Helpful Hints

In the first place, it is not necessary or even desirable, as a rule, to switch into stocks selling at the same price level as those from which the switch is made. This is particularly true of the lower-priced groups. Since most stocks in this category are unattractive by investment standards—that is to say, their earnings are erratic—it would obviously be of no advantage to switch into others of the same type.

Inexperienced investors, normally loath to take a loss in the first place, shrink from making a switch into a higher priced stock as this would diminish the number of shares they hold. This is a fallacy, for the simple reason that it is obviously better to own a smaller number of shares in a sound corporation than a larger number in a concern that is having difficulties and not likely (*Please turn to page* 278)

25 Stocks With Narrowing Earnings Margin

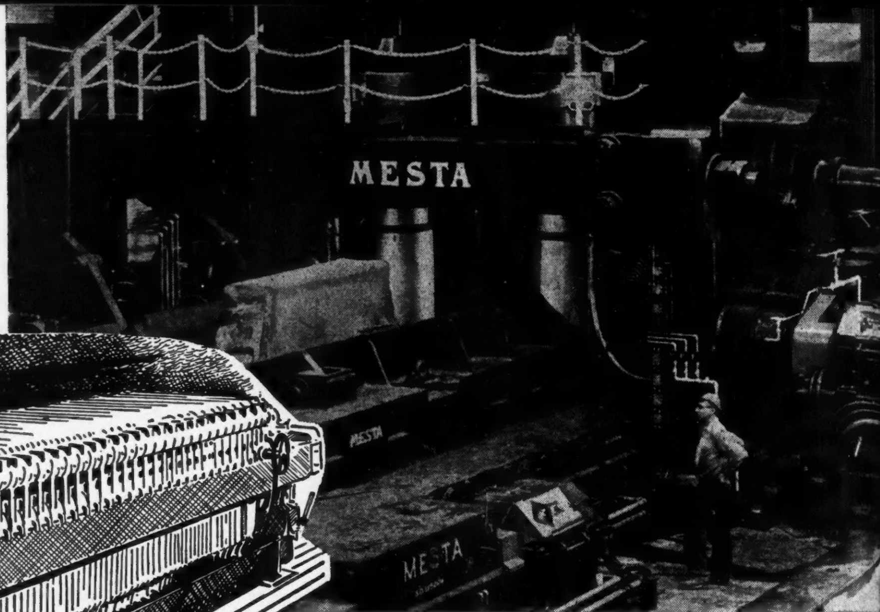
	1951		1952		1953				
	Net Per Share	Div. Per Share	Net Per Share	Div. Per Share	1st 9 mos. Net Per Share	Indicated Div. Per Share	Price Range 1951-1953†	Recent Price	Indicated Yield
Alaska Juneau Gold	(d)$ .06	......	(d)$ .12	......	......	......	3⅞- 2	2¼	......
American Bank Note	1.20	$1.00	.83	$1.00	$ .40	$1.00	20⅜-14¾	15	6.6%
American Export Lines	1.91	1.75	3.20	1.50	......	1.50	22¼-12½	13	11.5
American-Hawaiian Steamship	2.10	3.00	(d) .78	3.00	1.28	3.00	67 -41½	61	4.9
American Ship Building	9.74	3.00	6.41[1]	4.00	......	4.00	65½-42	43	9.3
American Sumatra Tobacco	(d) .89	1.50	.52[2]	.50	......	......	23⅛-10⅛	13½	......
American Woolen	9.22	6.00	(d) 7.39	......	(d) 6.92	......	46⅞-13⅜	16	......
American Zinc	4.54	1.25	3.44	1.00	1.57	1.00	29⅜-11¾	14	7.1
Bath Iron Works	2.77	2.00	3.23	2.00	......	2.00	28½-18¾	21	9.5
Brunswick-Balks-Collender	2.17	1.25	1.32	1.00	.15	.87½	23¼-13¼	14	6.2
Bush Terminal Co.	1.31	.40	1.32	.60[3]	.95	.60[3]	15 -10⅜	12	5.0
Central Aquirre Sugar	2.60	1.75	2.18[2]	1.60	....	1.60	20⅞-18⅝	20	8.0
Cerro de Pasco	15.87	2.00[3]	8.79	2.00[3]	.96	1.25[3]	58¾-19⅝	21	5.9
Chicago & North Western Ry.	(d) 2.75	......	(d)1.76	......	(d)3.41	......	28½-12½	13	......
Collins & Aikman	5.46	1.15	1.95	1.60	....	1.60	24¾-14	15	10.6
Eversharp, Inc.	1.70	1.30	1.86	1.40	.64[5]	1.40	16⅛-11	12	11.6
Florence Stove	1.90	1.75	2.46	1.00	(d).93	.50	28½-16¼	17	3.0
Homestake Mining	1.05	2.15	.88	1.85	....	1.85	42¾-33¼	35	5.2
Hudson Bay Mining	5.53	5.00	5.45	5.00	3.25	4.00	66¾-36¼	42	9.5
Liquid Carbonic	2.94	1.35	1.77	1.40	....	1.40	23½-15¼	17	8.2
Magma Copper	3.07	......	.92	......	3.86	[4]	42½-21	23	......
Savage Arms	3.55	1.40	2.32	1.30	1.62	1.00[3]	21¾-11⅛	11¾	8.5
Spalding (A. G.) & Bros.	2.34	1.50	.26	1.00	....	1.00[3]	17⅛-11⅜	12½	8.0
Telautograph Corp.	.77	......	1.09	......	.90	.25	16¼- 4⅛	15	1.6
U. S. Lines	4.94	2.00	6.95	2.00	3.25	1.50	23½-14	14⅜	10.4

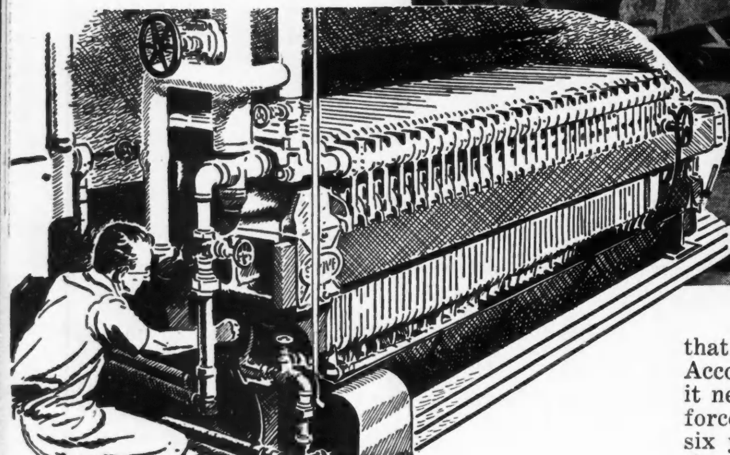
†—To November 6, 1953.
d—Deficit.
1—Year ended June 30, 1953.
2—Year ended July 31, 1953.
3—Plus stock.
4—Paid 10% in stock.
5—6 months.

12 Stocks in a Promising Position

	1951		1952		1953				
	Net Per Share	Div. Per Share	Net Per Share	Div. Per Share	1st 9 mos. Net Per Share	Indicated Div. Per Share	Price Range 1951-1953†	Recent Price	Indicated Yield
American Can	$2.75	$1.25	$2.25	$1.26	$2.15	$1.40	37⅞-23⅜	38	3.6%
American Gas & Electric	2.13	1.50	2.33	1.50	2.52[3]	1.60[2]	34 -25¾	32	5.0
Central & South West Corp.	1.34	.90	1.60	.95	1.29	1.04	22¼-13¼	22	4.7
Chicago Corp.	1.07	.60	1.17	.75	1.07	.80	21⅜-12¾	19	4.2
C. I. T. Financial	2.92	1.80	3.08	1.80	2.65	1.80	30¼-23¼	29	6.2
Dow Chemical	1.65	.80[2]	1.58[1]	.80[2]	.43[4]	1.00[2]	44¼-33¼	36	2.7
Florida Power Corp.	1.29	1.20	1.80	1.20	......	1.35	29 -17⅛	29	4.6
International Tel & Tel.	2.60	.60[2]	3.09	.80	......	1.00	20¾-13⅛	14	7.1
National Lead	2.05	1.41	2.06	1.45	1.70	1.50	37½-25¾	36	4.1
Pfizer (Chas.) & Co.	2.42	.98	2.17	1.15	2.09	1.00	46⅝-26	34	2.9
Radio Corp. of America	2.02	1.00	2.10	1.00	1.62	1.00	29⅜-16⅜	23 26	4.3
Westinghouse Electric	4.03	2.00	4.23	2.00	3.26	2.00	50 -34⅝	48	4.1

†—To November 9, 1953.
1—Year ended May 31, 1953.
2—Plus stock.
3—12 months ended September 30, 1953.
4—Quarter ended August 31, 1953.





New Trend to . . . Automatic Machinery

By JOHN D. C. WELDON

New sciences and new technological trends, especially in the last two score years, have had a profound effect upon the American economy. Because of the ability of our industries to adopt new producing and processing methods, the United States has been able to wage two major wars, the last on two fronts, against powerful antagonists, and at the same time raise the living standard of its people to the highest level known to civilization. These years formed the "mechanization in industry" era the first phase of an industrial revolution, a logical development if manufacturers were to break away from outmoded and antiquated facilities requiring production of goods by human hands that were limited in their capacity by human endurance.

Yet, the progress made so far in mechanization is not enough if American industries are going to be able to meet the demands from an increasing population for all the things, from automobiles to shoes, that have come to be essentials to our way of life. According to some estimates, this country will find it necessary to expand the productivity of its labor force by approximately 43 per cent within the next six years if it is to maintain the past increase in the standard of living. To achieve this objective, industry will be forced to resort to automation of processes of production.

A New World for a New Industry

Automation is a relatively new word in our language. It was coined in 1940 by Mr. Del Harder, the Ford Motor Co.'s vice president of manufacturing, who applied it principally to the use of mechanical hands in extracting sheet-metal stampings from heavy presses. Automation in industry has come a long way since then, developing in what appears to be the second phase of industrial revolution. It is the natural sequence to the age of mechanization in industry. Mechanization made it possible to replace hand labor and the manually operated machine with new and more efficient machine tools mechanically powered. Automation, so far as the operation of the machine is concerned, eliminates the human element. It makes possible the automatic movement of materials in process from station to station, and from machine to machine by pre-determined, rigidly maintained time schedules.

The Ford Motor Co.'s new Cleveland foundry and engine plant is regarded as a good illustration of automation. There, six-cylinder engine blocks are conveyed automatically, through various machining processes. The entire set-up constitutes a line approximately 1,600-feet long occupying 46,200-square feet. A crankshaft drilling machine drills 20 different holes while moving the shaft through 43 separate stations. Another unit performs a series of drilling, milling, chamfering and tapping operations. Altogether, through careful research and planning, 44 automatic processes and 80 transfer units were combined to perform 530 broaching, milling, drilling, reaming, and tapping operations on each cylinder block casting in an automatically timed sequence.

All that the entire process requires in the way of human labor are the job setters who replace worn tools whenever an automatically operated board called a "toolometer" indicates that a tool, because of wear, needs to be replaced. What Ford has done in the way of automation at its foundry and engine plant and in its Buffalo, N. Y. stamping plant has been to get the capacity from the machines formerly controlled by manual handling and eliminating much of human drudgery. Such processes make for safer operations, improves quality of product, and lowers production costs.

Manufacturers of Automatic Equipment

	1952		1953 1st 9 Months						
	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Price Range 1952-53*	Recent Price	Indicated Div. 1953	Indicated Yield	COMMENTS
Amer. Mach. & Fdry.	$105.8	$2.03	$106.1	$1.56	24⅞-16¾	22	$1.00[2]	4.5%	Manufactures automatic and semi-automatic machinery and other equipment for tobacco and other industries; electric motors, welded steel products, and mechanisms for atomic projects.
Bendix Aviation	508.7	7.22	478.0	5.96	68¼-45⅛	62	3.75	6.0	Produces wide range of instruments, controls, radar and navigation devices, electronic pilots and many other products for aviation, automotive, and other industrie.
Bliss, (E. W.) Co.	53.1	4.32	47.8	2.39	21¾-12¼	13	1.00[2]	7.6	Products consist of various types of machines for use in the automotive, steel, can and container, electrical, metal-working and other industries.
Bullard Co.	57.1	4.44	48.6	5.15	28½-13¾	28	3.00[2]	10.7	A machine tool maker specializing in turret lathes and boring mills widely used by mass production industries.
Chain Belt	37.5	3.69	31.0[1]	3.16[1]	42 -30	30	2.50	8.3	SEE TEXT
Cinc. Milling Machine	128.6	11.14	....	10.30[3]	51 -31¼	50	3.00	6.0	A brief analysis of this company appears elsewhere in this issue under title of "Companies With Promisnig Future."
Cutler Hammer	62.1	5.81	....	4.13	44 -31¾	38	2.50	6.5	A leading manufacturer of motor control and other power driven machinery equipment, magnetic devices, and electrical equipment, including recently developed "control center".
Ex-Cell-O Corp.	88.9	7.42	71.4	5.27	59¾-39½	47	2.00[2]	4.2	SEE TEXT
Food Machinery & Chem.	217.2	3.41	174.4	2.77	56¼-33¼	37	2.00	5.4	An important manufacturer of food processing equipment, canning machinery. Also produces agricultural equipment, and does a large chemical business.
Link Belt	126.5	4.82	67.2	2.22	48¾-35¾	38	3.00	7.8	SEE TEXT
Mesta Machine	40.8	2.71	24.8[4]	......	54¼-30	30	2.50	8.3	A leading manufacturer of steel mill equipment, as well as hydraulic forging and bending presses and other equipment for various industries.
Minn.-Honeywell Reg.	165.7	3.00	154.3	2.50	66¾-45¾	66	2.25	3.4	SEE TEXT
Monarch Machine Tool	26.1	3.53	24.3	3.60	20⅝-15¼	17	1.35	7.9	Products include of semi-automatic and fully automatic toolmaker, engine and other types of lathes.
National Acme	39.9	5.53	......	4.53	36¼-28	30	3.00	10.0	Producer of automatic machine tools. Its electrical division manufactures limit, control station and motor starter switches, solenoids and solenoid counters.
Niles-Bement-Pond Co.	78.6	5.20	......	......	20½-13½	16	1.40	8.9	Manufactures automatic turret lathes, jig borers, die-sinkers, gauges, and various types of cutting tools.
Sperry Corp.	396.2	6.75	244.7[4]	3.84[4]	49⅛-31½	45	3.00	6.6	Subsidiaries and divisons produce a broad line of instrumentation and controls, hydraulic equipment, electrical apparatus and automatic machinery.
United Engineer. & Fdry.	85.0	1.51	39.9[4]	.82[4]	19⅝-12	12	1.10	9.1	Designs and builds machinery and equipment for the steel, paper-making, rubber, and other industries.
Van Norman Co.	28.2	2.93	14.4[4]	1.73[4]	17⅝-12½	13	1.40	10.7	Manufactures milling machines, radius, cylindrical and other types of grinders; automatic homing machines, brake drum lathes, and a complete line of cutting tools.

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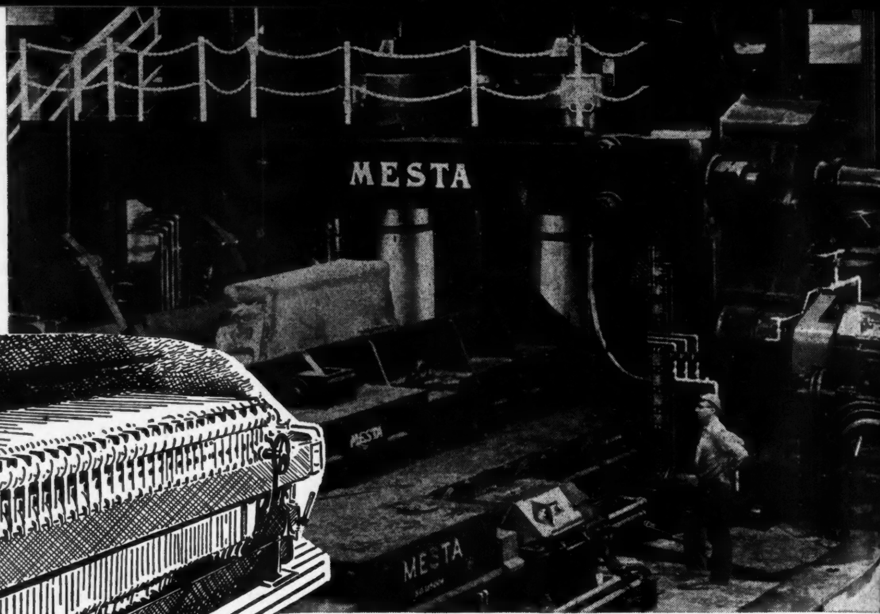

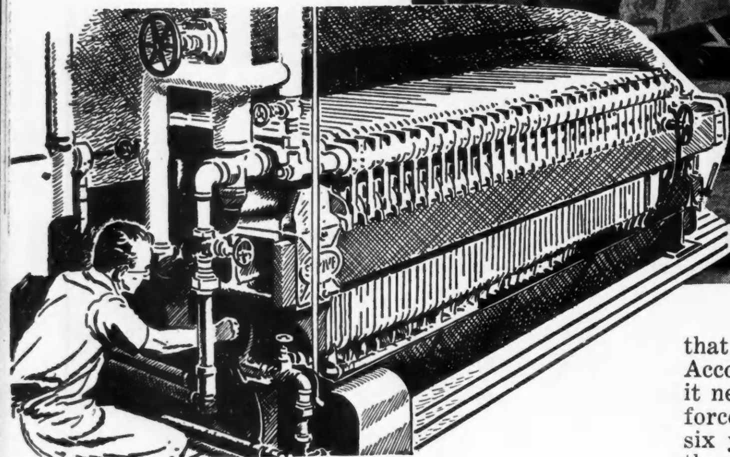

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Other automobile builders are moving, slowly perhaps, toward the auotmatic, or as it is sometimes called, the push-button plant. Chrysler, for instance, has in operation certain automation processes with substantial economies being effected in man-hours and unit-costs. Nash, too, is moving toward automation. It now has in use an automatic installation for machining engine heads, resulting in a saving of approximately 80% of work-time. Automation, in the engineer's opinion, is the missing link which enables industry to obtain the maximum usefulness of its capital investment in tools and equipment. The progress already made by many companies, the large as well as the smaller organizations, has resulted in more efficient production, better products, and an improved profit margin. The possibilities along these lines are so widely recognized that automation is fast becoming the No. 1 consideration of management in meeting competition and laying the base for growth.

This trend was highlighted by the remarks of various managerial personnel and industrial engineers at the American Management Association's Manufacturing Conference of last April. Automation, it is pointed out, not only raises plant efficiency but permits management to elevate its own standards by enabling it to concentrate on product quality and high productivity, rather than to be burdened with the problems concerning the flow of materials or the shifting of labor forces. At the same time, automation upgrades labor, cuts down time of productive facilities, reduces spoilage of materials in process, and increases productivity per worker. There is no process of production that cannot be "automated", according to Mr. H. D. Rowe, Ford's Manager of the Cleveland Engine Plant, who states a department, a sequence of operations, or even a single operation can be carried out through automation.

Increasing Need for Automation

It would be difficult, at the present time, to predict how fast plant automation in the various industries is going to develop, and to what degree. The consensus of opinion is that the inherent advantages of automation are the means to more efficient production. It is only a matter of time before practically every manufacturing and processing plant will have adopted automatic methods for one or more processes according to the scope of operations. The evolution

MACHINE TOOLS
Index of New Orders and Shipments
(1945-1947=100)
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is well under way, and the trend toward full automation—the coming into existence of the automatic or push-button plant—should be steadily upward. As new machines, electronic devices and conveyor systems are developed the pace should accelerate. Petroleum refineries, atomic energy plants, and chemical processing plants are already well along the road toward complete automation.

Continuation of the rapid progress in bringing forth the fully automatic plant for the chemical industry, for example, is regarded as a "must" if that industry is to increase its number and volume of products, reduce production costs, and make chemical products more available at lower prices, upgrading, at the same time, the status of labor. In the opinion of Dr. C. F. Prutton, senior vice president, Mathieson Chemical Co., the push-button chemical factory of tomorrow will reduce the hazards to personnel, by means of control from a distance, of inflammable, explosive, or poisonous materials. Automation will make necessary the employment of larger numbers of men of high technical proficiency to manage facilities; men of still higher level of technical skill to develop the combination of instruments, processes, and process equipment; process operators of high skill capable of taking over if and when instruments fail, and large numbers of process equipment maintenance men. What the push-button factory will eliminate will be the necessity for so much physical labor.

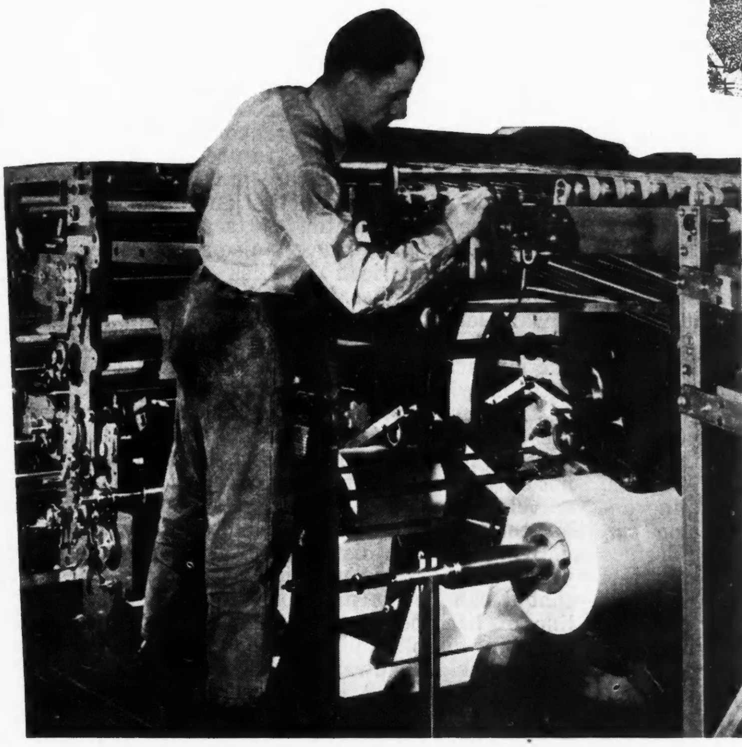
This is the outlook for conditions that should prevail in all so-called push-button plants. Many companies in other industries have also progressed toward automation, achieving greater efficiency, improved products, increased profits, and better working conditions for personnel. Automation in industry should, therefore, mean the emancipation of the worker from the drudgery of back-breaking tasks, the monotony of the menial job which blanketed initiative, and took away from the individual so engaged a name in exchange for a number. All of these have been and continue to be the roots that nourish the worker's discontent. Automation mean . then, the upgrading of countless numbers of laborers and unskilled workers, and create more leisure time to enjoy considerably higher living standards.

Push-Button Operations Cut Costs

The transition to complete automation, while accelerating its pace, is undoubtedly going to be gradual. The reappearance of buyers' markets and the resulting stimulation of competition, will exert pressure on managements to cut overhead and production costs through automation. New machines or modification of current models will be in demand, as will also special machinery and equipment and controls, some of which have yet to be designed. Indicative of developments to come is the new electronic control only lately developed by General Electric Co., to govern machine operations by means of a tape on which is recorded the motions necessary to perform a specific machining process. It is expected that by early next year the Giddings & Lewis Machine Tool Co., will be using the first of these recording units for the operation of one of their milling machines processing parts for jet planes.

This development is suggestive of what may further develop for the machine tool builders—the Bullard Co., Cincinnati (*Please turn to page* 282)

The New Wave of...
MERGERS



By PHILLIP DOBBS

Mergers and acquisitions, either consummated or proposed, have been recent developments attracting increasing investor attention.

Moves of this sort, of course, are not a novelty. Mergers, acquisitions and consolidations have occurred at frequent intervals over a long period of years. Some of them, particularly of marginal companies in certain industries, have been entered into for years by both sides as a defensive measure—a matter of self-preservation. This was especially true of those negotiated during the 1907 and 1930 eras when the general economy had fallen from its then high levels. These also were periods when strong companies, by merger or acquisition, absorbed smaller units in identical or related fields that were close to the "brink" or that had found the going a little too rough.

A classic example of a development of this character was the taking over of the old Tennessee Coal, Iron & Railroad Co., by the United States Steel Corporation. This daring action, as it was then considered in 1907, helped stem the "panic" of that year, restored confidence in the economic future of America, and hastened the recovery of general business. Today, and for many years past, TC&I is one of Steel's important component parts. Other mergers were entered into by smaller companies at various times on the theory that a consolidation of cash and other assets would provide greater financial strength, and by combining operations unprofitable facilities could be eliminated, other economies could be effected and profit margins improved. Mergers of this sort were along defensive lines, but even so, many of them eventually proved advantageous and of benefit to the shareowners.

In contradistinction to such motives, other mergers or acquisitions have been founded upon more solid foundations. These have been the bringing together of one profitable activity with another, each, generally, complementing each other, creating a greater degree of integration and strengthening the new organization's competitive position. Mergers or acquisitions of this character are another phase of growth. A good example of this is the 1952 merger of E. R. Squibb & Sons, manufacturers of pharmaceuticals, medicinals, antibiotics, and related products, with Mathieson Chemical Corp., that had confined operations to the production of industrial chemicals. Both companies were successful entities. The merger, however, was a logical one. It provides the Squibb division with a dependable source of raw materials and gives Mathieson a direct outlet, in addition to its many other markets, for a number of chemical products Squibb uses in manufacturing a number of its products. In addition, it provides the combined operations with greater research facilities, increased financial strength, and permits the economies of consolidation.

Mergers such as this indicate the changing complexion of corporate activity and point to the shape of things to come in the way of corporate structures and the expansion of multi-product companies. This is a natural trend in an era of bigness that demands greater integration and a higher degree of efficiency in operations if our industries are going to further develop export business and supply this nation which within the next five years will, it is estimated, have a population of 175 million people who will need and want what industries turn out today along with the many new products to be developel by research and made available through technological developments.

More Mergers on Way

The trend in this direction might be slowed by war or some unforeseeable major economic upset, but then it is quite likely that war's demands might hasten the movement forward in much the same degree that World War II quickened the economic pulse in the last eight years. In any event, present signs portend greater networks of industrial organizations in recognition of which aggressive companies in many fields are currently doing coordinated planning covering the next five years, with some of them extending their vision to the next 10 and 15 years.

The immediate future will probably see a number of mergers or consolidations along lines similar to those that have recently taken place or that are now in the negotiating stage. These will be what may be aptly termed "offensive" mergers, the bringing together of activities in related fields or those which are complementary, resulting in diversification of products, broader markets, and increased profit margins through operating economies. An outstanding illustration of this type of merger is that which went into effect early this month when the 72-year-old Buda Co., became a division of Allis-Chalmers Co., a leading manufacturer of tractors, road building equipment, farm equipment and heavy machinery for various industries. Included in the list are a number of products powered by diesel, gasoline and other types of internal combustion engines. The Buda company has been building gasoline engines for trucks, buses, agricultural, marine and industrial users for more than 40 years, and since 1933 has been turning out a complete line of diesel engines for industrial and construction equipment as well as for trucks and other uses. Among its other products are fork lift trucks, industrial towing tractors, motorized platform shop trucks, earth drills, and railroad supplies, numbering among its customers for the latter output the major railroads of this country and Canada.

The merger gives Allis-Chalmers a direct source of supply of engines of various types, and puts it in a position to handle an additional line of products that can be sold in the very fields in which Allis-Chalmers has been distributing its own products for a number of years. The Buda Co., will retain its name, operating as a division of Allis-Chalmers. It will have the advantage of Allis-Chalmers' dealer organization and direct selling forces that are expected to contribute substantially to greater Buda sales volume which in the fiscal year ended last July, approximated $30 million.

Consolidation of Buda with Allis-Chalmers comes on the heels of the latter's purchase of the LaPlante-Choate Manufacturing Co., producers of diesel powered earth-moving machinery, including bull-dozers, scrapers, together with other equipment for use in road building and for industrial purposes. LaPlante-Choate, although a comparatively small company, nevertheless had a 1951 sales volume in excess of $10 million. Its output dovetails nicely with that of the now parent company and also the output of Allis-Chalmers new Buda Division.

Chrysler-Briggs

An acquisition of considerably larger proportions over which negotiations have been carried on for the last several months is the purchase by the Chrysler Corp., of certain principal plants, machinery and equipment of Briggs Manufacturing Co., at a reported price of $35 million. Although specific details of the agreement of sale have yet to be announced, it is understood that Briggs will continue the manufacture of its line "Beautyware" plumbing fixtures, turning over its automobile body building plants, now producing for Packard and Chrysler, to the Chrysler Corp., subject to approval of all parties concerned, including Briggs' stockholders.

This proposed action by Chrysler is taken as being indicative of the company's confidence in the future growth of the automobile industry, although company officials are aware of the possibility that fluctuations in the general economy could readily be reflected in yearly new car demand. However, optimism about the industry's future is based on recent surveys showing that there are 12 million cars of pre-World War II production on the highways and that these are reaching the scrap pile at an accelerated pace. The surveys also show there are still 17 million American families who are presently without automobiles.

Chrysler's president, Mr. L. L. Colbert, expressed himself by saying that whatever the level of production achieved during the next few years, competition will favor the automobile buyer, Chrysler has made extensive plans, of which the purchase of the Briggs automobile manufacturing plants is a part, to meet this competition. Thus does Chrysler not only achieve a stronger competitive position but travels far in integrating activities as the third largest producer in the automotive industry.

Briggs, too, in disposing of these properties, appears to be taking a logical step, freeing itself so that it can devote its efforts to further develop its line of bathroom and kitchen fixtures, and other plumbing supplies, plastic products. Briggs has made considerable headway in the plastics field. As recently as late 1952, it acquired an additional 79,000 square feet of floor space for plastic product development. It originated plastic automotive interior trim panels for automobiles, the application of which has spread to furniture and similar merchandise. It has also been producing plastic fabricated upholstery materials and the manufacturing of plastic fixtures and dies, utilizing output of the latter in its own operations in connection with its contracts for military aircraft parts.

Merger in Paper Industry

In keeping with the trend toward integration, another logical move is West Virginia Pulp & Paper Co.'s plan to acquire The Hinde & Dauch Paper Co., as an operating subsidiary.

West Virginia Pulp & Paper is the leading manufacturer of paper and paper-board in the United States that up to this time has made no attempt to convert these materials into end products. On the other hand, Hinde & Dauch, the largest manufacturer of corrugated shipping containers lacks facilities to manufacture its entire requirements of paper board. Execution of the plan whereby West Virginia Pulp & Paper would acquire the outstanding Hinde & Dauch stock, will bring together two well-established companies—both were founded 65 years ago—with the combination producing far more substantial benefits than could be expected by either company operating as independent units in their respective fields.

Hinde & Dauch, a pioneer in the manufacture of corrugated containers in this country, has expanded to where it now operates in the U. S., 12 box factories, producing close to 3 billion square feet of board products annually. It also operates 5 paperboard mills producing in excess of 80,000 tons a year. Through the Hinde & Dauch Paper Co., of Canada, Ltd., in which it holds a majority interest, its three paperboard mills in Canada have an annual capacity of 100,000 tons, and the three box factories there have a production of approximately one billion square feet per year.

Founded as a pioneering venture in the production of sulphite pulp, West Virginia Pulp & Paper rapidly developed into one of the foremost producers of book and magazine papers. Throughout all this time, the company has maintained a relatively stable position in the white printing and fine paper fields, and in the last two decades made rapid progress in further diversifying its operations to a broad degree. It has expanded output to the point where it is now an important manufacturer of kraft liner board, corrugating board, kraft paper and white converting board, demand for which is rapidly increasing with the expansion of use in the packaging and food container fields.

At the present time, West Virginia owns and operates six mills in five states, capable of producing more than 800,000 tons of paper and paperboard annually. It also owns and operates a partially integrated corrugated container plant in Brazil, as well as producing a portion of its pulp requirements, and manufacturing about 30% of that country's total output of corrugated containers. Here, in the U. S., West Virginia, owns and manages about 750,000 acres of timberlands, located mostly in the Carolinas, as a source of raw material for pulp manufacture.

Stockholders of West Virginia Pulp & Paper by a vote of 99.9% of the outstanding shares have already approved acquiring Hinde & Dauch as an operating subsidiary with its operations, personnel and customer relations unchanged. The plan under which the acquisition will be made provides for the exchange of one and one-third shares of new par $5 common stock of West Virginia Pulp & Paper for each share of H & D stock, the exchange to be declared effective when at least 80% of the outstanding shares of the latter has been deposited in acceptance of the offer. If all of the 952,758 shares of H & D stock is exchanged, West Virginia will have issued 1,270,344 shares of its new $5 par common stock. (NOTE: More than the required percentage of H&D stock has been deposited and the acquisition is now declared effective.)

Incidentally, this new $5 par common stock has been authorized by West Virginia's stockholders in connection with the approval to split each of the present outstanding shares four-for-one, thereby increasing the common shares from 1.5 million of no par value to 7.5 million shares of $5 par.

Consolidation in Tobacco Industry

Cigarette manufacturers are seeing a fast developing consumer preference for filter mouthpiece cigarettes, an outlook that is intensifying competition for smokers' favor. Benson & Hedges pioneered in the filter mouthpiece as long ago as 1931, when it first introduced "Parliaments", sales of which in the ensuing 12 months amounted to 400,000 units.

Important Companies Involved in New Acquisitions

	Chrysler Corp.		Mathieson Chemical		West Virginia Pulp & Paper	
	Net Per Share	Div. Per Share	Net Per Share	Div. Per Share	Net Per Share	Div. Per Share
1943	$ 2.68	$ 1.50	$ .67	$ .50	$ .46	$ .31
1944	2.85	1.50	.70	.50	.45	.25
1945	4.31	1.50	.59	.50	.41	.25
1946	3.09	1.50	1.13	.62	1.23	.60
1947	7.72	2.87	1.67	.81	2.85	.75
1948	10.25	4.00	2.80	.87	2.80	1.00
1949	15.19	5.25	2.57	1.06	2.32	.75
1950	14.69	9.75	3.32	1.50	3.23	1.25
1951	8.27	7.50	3.56	1.70	2.70	1.00
1952	9.04	6.00	3.44	2.00	2.47	1.00

By 1947, Parliament sales had climbed to approximately 62% of Benson & Hedges' total volume. Since then, the sales percentage has increased to about 95%, with shipments for the first 8 months of 1953 up by 40% over the same period of last year.

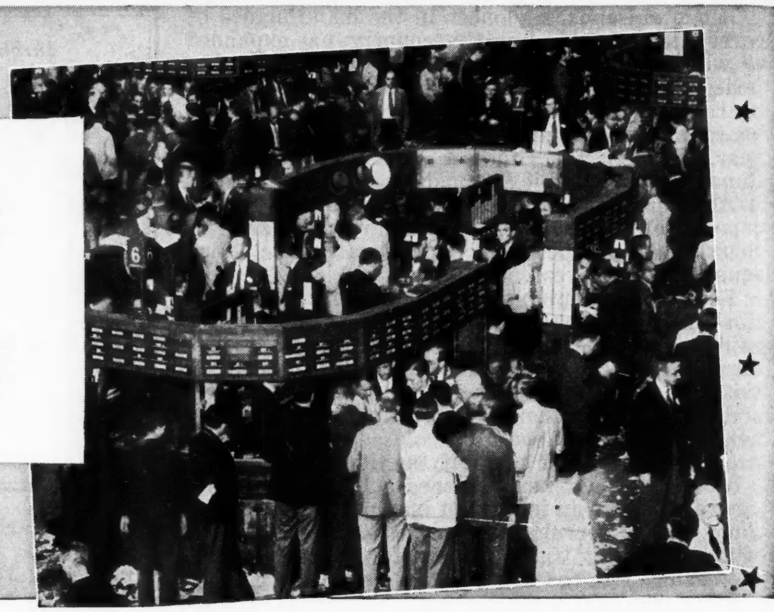
Philip Morris & Co., although well represented in the cigarette field with its regular and king-size Philip Morris cigarettes, and the popular-priced Dunhill king-size does not, however, have a filter mouthpiece cigarette to round out its line and meet competition from Lorillard's "Kent" nor Liggett & Myers "L & M's." A merger with Benson & Hedges, it is believed, would result in an ideal combination. It would give Philip Morris representation in the filter mouthpiece market through Parliaments which Benson & Hedges is now producing in regular and king-size, and give the latter company the benefit of Philip Morris' sales organization in developing broader markets for B & H's complete line of cigarettes, cigars and smoking tobacco.

Directors of both companies have unanimously approved the merger plan in principal and its execution awaits favorable action of the stockholders of the two companies. Carrying out the plan will mean the formation of a new corporation to be known as Philip Morris & Co., which will acquire all the assets and assume all the liabilities of the two existing companies. Holders of the common stocks in the latter organizations will receive common stock in the new company on the basis of one new share for each share presently held.

Other mergers and acquisitions recently consummated or announced involve the General Motors Corp., acquiring the Euclid Company, builders of road building equipment, and the acquiring by the Oliver Corp., of the Be-Ge Manufacturing Co., as a wholly-owned subsidiary. Be-Ge manufactures farm machinery and construction equipment with markets primarily on the West Coast, and gives Oliver, a major farm and industrial equipment manufacturer, direct representation there.

W. R. Grace & Co., already owning 18.9% of preferred and 51.5% of common stock of the Davison Chemical Corp., continued to increase its holdings by offering to purchase up to 100,000 additional shares of Davison common stock at $40 a share until Dec. 9, 1953. By acquiring this additional common stock Grace Company's holdings in the chemical company would be in- *(Please turn to page 278)*

FOR PROFIT AND INCOME



Cigarettes

Following more than a year of restored investment popularity, marked by advances from 1952 lows ranging variously from 29% to 53% and averaging about 40%, the cigarette stocks have been under recent selling pressure and are down fairly sharply from their highs at this writing. The reasons: (1) a year-to-year decline in manufacturers' total sales, as recently reported by the Department of Commerce; (2) smaller third-quarter and second-quarter profit gains (as a result of price boosts last February) than many investors had expected; (3) the availability of profits on the stocks for some investors and nervousness over the scaling down of these gains.

Other Side

Consumption of cigarettes has not declined, although its upward trend has flattened out. Introduction at various times of this or that king-size brand or filter-tip brand by major makers has temporarily bulged sales to distributors. The reported sales decline is a distorted comparison with such a bulge a year ago, and also reflects tax-free takings by the armed forces and for export. It is true that profit gains to date have been quite moderate for two reasons: (1) The companies have naturally spent lavishly for advertising and every other justifiable purpose to hold down EPT liability; (2) profits were nevertheless largely restricted by EPT in most cases. Although competition will remain intense, the outlook is still for broad profit gains under lower taxes in 1954. Substantial dividend boosts appear probable for American Tobacco and Reynolds, possible for Lorillard and Philip Morris. Because it is a high payout rate, Liggett & Myers is unlikely to go above the $5 dividend totals of recent years. American and Reynolds are our choices for investment buying at reaction prices.

Snuff

Consumption of snuff is not as stable as it used to be. Whatever the reasons, which are somewhere in the sociological rather than the economic sphere, the always small minority of snuff users has begun to shrink, and the dip in usage has now become appreciable on year-to-year comparison, even though not sharp. Nevertheless, American Snuff and Helme probably will derive material net benefit in 1954 from EPT lapse, if not also from some cut in the 52% regular tax rate after April 1, and might pay higher dividends. EPT liability of U. S. Tobacco, biggest company in this field, is small. If shrinkage in snuff consumption continues even at a slow rate, it is only a question of time before earnings, dividends and prices of the stocks will go lower.

Television

Television still has considerable further growth ahead in some regions of the south and west; and, within a year or two, probably will begin to get a "shot in the arm" nationally from exploitation of color TV. Depending on pricing, it is anybody's guess when sales of color sets will approach or exceed the best levels hereto-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Budd Co.	Quar. Sept. 30	$ .49	$ .27
Corn Products Refining	9 mos. Sept. 30	3.73	2.58
Mengel Co.	Quar. Sept. 30	.62	.43
Pullman Co.	Quar. Sept. 30	1.25	.89
Visking Corp.	Quar. Sept. 30	1.72	1.32
Amerada Petroleum	Quar. Sept. 30	1.58	1.10
Boeing Airplane	9 mos. Sept. 30	8.36	6.26
Bridgeport Brass Co.	Quar. Sept. 30	1.62	.85
Fruehauf Trailer Co.	Quar. Sept. 30	1.30	.76
Inland Steel Co.	Quar. Sept. 30	1.71	.97

fore attained by non-color sets. Meanwhile, the market for the latter, at least in the older and most populous marketing areas, has been swamped as a result of over-production by the manufacturers and weak demand, with many potential buyers apparently holding off until they can buy color sets or at least "take a look" at color models and price tendencies. Dealers have been moving present inventories sluggishly at deep discounts under list. Manufacturers have begun belatedly to cut production, and will have to cut deeper. At this writing, sharp price cutting has also developed at the manufacturers' level. Television-radio stocks have been under recent selling pressure for the reasons cited; and might be subject to further decline before production, inventories and demand are in adequate balance.

Rugged

The heavyweight fight of the century for the "championship" of the automobile market is going on between General Motors and Ford, with Chrysler caught in the middle and the smaller companies being trampled. There have been historic shifts in this industry. Leader in the early years, Ford lost ground by sticking too long with the drab old Model T, while General Motors forged ahead. Chrysler's spectacular rise for some years after the mid-1920's made it the "Big Three" instead of the "Big Two," but was at further cost to Ford and the so-called independents rather than to the monolithic GM. During the post-war period of shortage and the defense-emergency period of controlled materials, the independents enlarged their share of the market. Meanwhile, Ford had been revitalized under the third generation of the family, and Chrysler had begun to show some "hardening of the arteries" in its car styling. The latter will take time and large outlays to correct. This year the independents' share of the market has contracted sharply, those of GM and Ford have broadened, that of Chrysler has been largely static. Ford has plenty of money and ambition, and no outside stockholders to be considered. The competitive battle will be even more rugged in 1954, with GM likely at least to hold its own, Ford likely to gain against the others. The logic of this situation argues for protective switching out of holdings of the secondary stocks, and for confining representation in this industry until the dust of the battle settles, to General Motors, which is discussed elsewhere in this issue.

Dividends

Total dividends remain at record levels, but in October payments were omitted in 13 instances, against 9 a year ago. At 118, the number of extras ran moderately under the October, 1952, total of 132. There were fewer initial payments than a year ago. However, there were only 6 reductions in rates, against 10 a year ago; and there were increases in rates in 23 instances, compared with only 15 a year ago. The outlook is for maintenance of a little changed aggregate of payments for the presently foreseeable future, but for highly mixed dividend news on individual stocks.

Price

There is no rigid formula for determining a stock's value. It is influenced by current earnings and dividends, the past record of both in good times and bad, future prospects, book value, financial position, etc. Value is not the same thing as price. Price is affected by value but also by the emotions of buyers and sellers. It is also affected by investment vogues. Institutional buyers mostly buy well-known big-name stocks on what is tantamount to a dollar-averaging basis. This vogue or habit tends to put a premium on such stocks. Fund managers have little or no inducement to go even slightly off the main highways in search of values at comparatively attractive prices. Some investors do not sufficiently emphasize price as the equalizing factor, and hence pay too much for prominent stocks. Figuring value and price, a better buy can sometimes be had by venturing just a moderate distance off the main investment highways in some intelligent comparative shopping.

Example

To illustrate, the well-known American Can is now selling at 38, Anchor Hocking Glass, less prominent, at 29. The former makes metal and fibre containers, the latter glassware, glass containers, metal and plastic closures. Can will earn around $2.75 a share this year, and is on a $1.40 dividend. Anchor Hocking will net around $3.15 and is on a $1.60 dividend. With taxes accrued at 53.5% in the first nine months of 1953, Can will get slight help from EPT lapse. Subject to a rate of 64.4% in the same period, Anchor Hocking could add about 35% to earnings, given maintained pretax income, after termination of EPT. Comparing growth from the pre-war year 1939 through 1952, sales and pretax net of Can rose 227% and 137%, respectively; those of Anchor Hocking 304% and 191% respectively. The former stock is priced 58% above book value, at 14 times earnings and on a yield basis of about 3.7%; the latter at 32% over book value, 9.4 times earnings, and on a yield basis of 5.5%. Finances of both are strong, but with relative superiority for Anchor Hocking. In ratio to inventories, working capital, total assets and sales, its cash holdings are considerably larger than those of Can. In ratio to current liabilities, they are twice as large as those of Can. Figuring cash position and tax-relief benefit, the potential for a dividend boost appears greater for Anchor Hocking than for American Can. The latter has paid dividends each year since 1923, the former since

(*Please turn to page* 286)

DECRASES SHOWN IN RECENT EARNINGS REPORTS

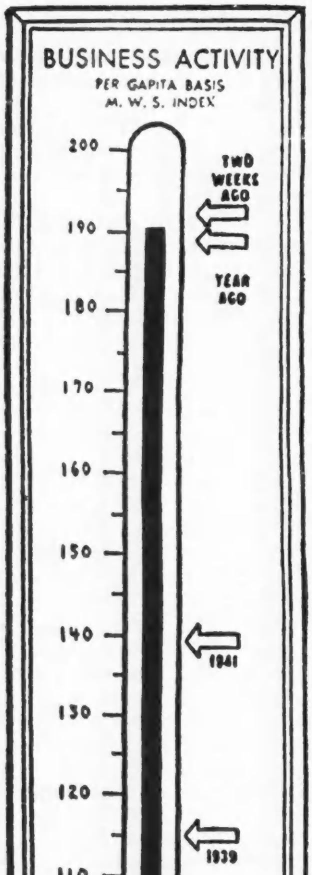
		1953	1952
Brunswick-Balke-Coll.	9mos. Sept. 30	$ .15	$ .56
Consol. Vultee Aircraft	9 mos. Aug. 31	2.24	2.73
Island Creek Coal	9 mos. Sept. 30	.77	1.69
Lehigh Coal & Nav.	9 mos. Sept. 30	.13	.64
Reliable Stores Corp.	Quar. Sept. 30	.43	.92
Allis-Chalmers Mfg.	Quar. Sept. 30	1.50	2.12
Moore-McCormack Lines	9 mos. Sept. 30	1.86	3.68
Atlantic Coast Line R.R.	9 mos. Sept. 30	9.94	12.55
Parke, Davis & Co.	Quar. Sept. 30	.49	.83
Sinclair Oil Corp.	9 mos. Sept. 30	3.87	4.45

The Business Analyst

What's Ahead for Business?

By E. K. A.

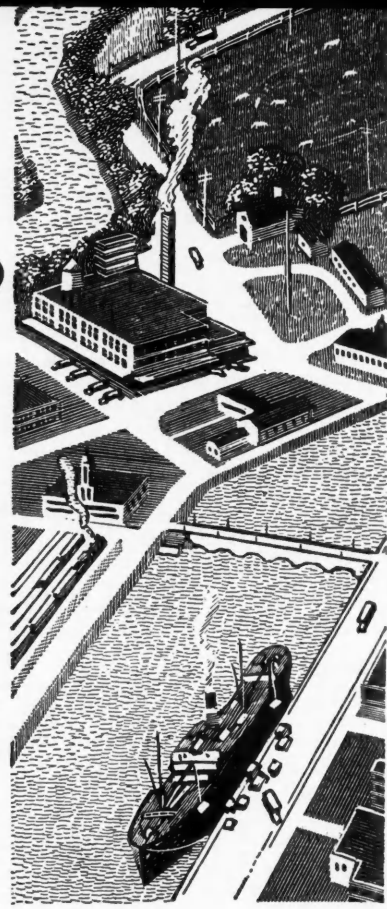
The outlook for durable goods business in the months ahead is good, provided one accepts the term "good" according to the scholastic rating standards of many educational institutions, where "excellent" denotes a perfect or nearly perfect performance. Or, if you prefer, the outlook for durables business is B to B plus in comparison with the overall record of A to A plus for 1953 as a whole.



The prospect for durables business centers to a large extent around automobiles and housing, the sparkplugs of our civilian economy. The postwar housing boom, involving a substantial population shift from urban to heretofore undeveloped suburban areas, would have been impossible without the necessary transportation facilities provided by what once were called "pleasure cars".

New automobile sales have slumped from the very high levels attained earlier this year and, although the manufacturers profess that the market for new cars is virtually unlimited, production has been curbed to enable overstocked dealers to clear their floors before 1954 models come in. Off the record, manufacturers are in rather general agreement that production and sales in 1954 will be about 15 percent smaller than in 1953.

That still would add up to one of the good years in automobile history. While costs of production never were higher, price reductions are very likely, particularly if competition increases as it probably will. Judging from scheduled promotional activity, every manufacturer plans to increase his share of the market. The independent producers may be left behind in the race.



Housing authorities differ over the extent of the probable contraction of housing construction in 1954. Some look for a drop of 20 to 25 percent in new housing starts from the 1953 level of about a million, with the end-year rate off even more. On the other hand, there are those who expect the dip to be held to no more than 10 percent although it is likely that, in this event, the concentration will be on relatively low cost, "stripped down" homes.

There is a fairly close relationship between new housing starts and the market for household appliances of all kinds, although there is no denying the fact that there is a large market for appliances in older homes. But, contraction in new housing construction tends to take the cream off the market for household appliances.

The long and sharp rise in the total volume of outstanding consumer credit has about come to a halt, along with the apparent end of the long rise in national income. Since a large portion of household appliances for older homes are bought via installment payments, the inference is rather clear that appliance manufacturers will find it increasingly difficult to maintain the present sales volume.

As a general rule, the going hasn't been too good for some time. Manufacturers have been forced to cut back refrigerator production to help dealers ease their stocks postion. The popularity of deep freeze units has subsided considerably. Tumbler washers, although still a popular item, are not moving as well as they were. Furniture sales, which showed a rather unexpected improvement earlier this year, have slowed down.

There still are bright spots in the situation, however. Automatic dryers, the twin to tumbler washers, are moving well. Manufacturers of air conditioning units for homes have streamlined their product, and the indications are that 1954 sales will show a further rise of 15 to 20 percent. Air conditioning, builders find, is practically a "must" for the larger and more expensive homes and is gaining increased acceptance in more modest homes.

The furore over color TV *(Please turn to page 286)*

The Business Analyst

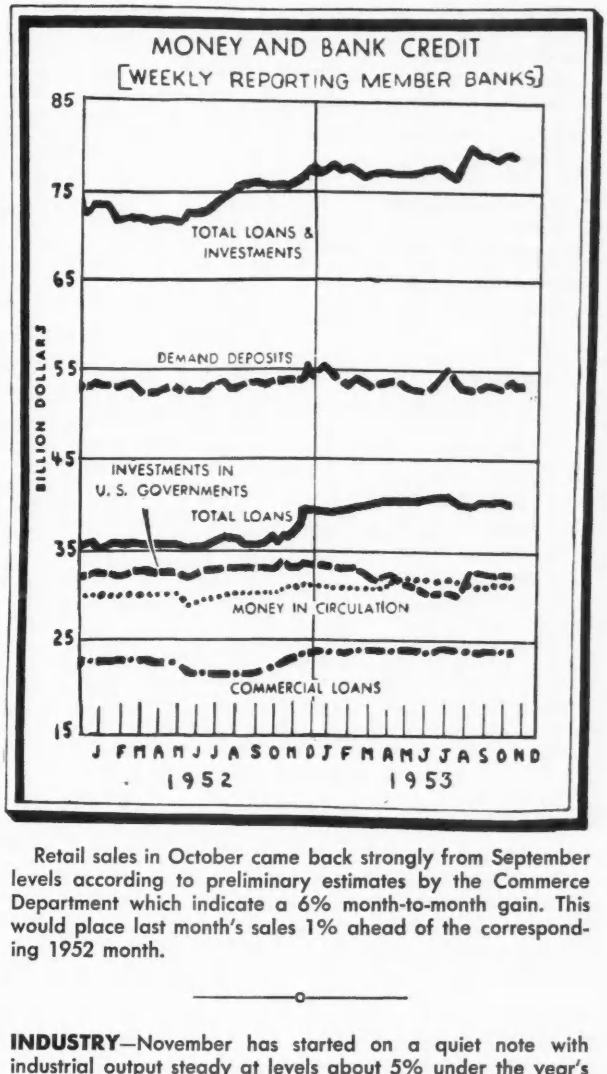
HIGHLIGHTS

MONEY & CREDIT—Underwriters are finding out that the bond market is still a two-way street and some of them have had their fingers burned recently on new issues floated when optimism was at its height. Thus, syndicates which late in October, brought out $30 million of Public Service Electric & Gas bonds and $40 million of Niagara Mohawk Power thirty-year 3¼s were unable to sell the entire issues at the contemplated mark-up. When pegged levels were removed these securities fell two points and more in free trading and are now selling to yield 3.30%, or 10 basic points more than the yield at time of re-offering. Tax-exempts have run into similar trouble. In the strong market of recent months, new issues, even when initially over-priced, soon looked cheap, but a change has come over the market recently. An example of this is the November 9 offering of $20 million of AAA-rated obligations of the State of Maryland which, it is understood, have not gone very well and underwriters still have a plentiful supply on hand.

So far it has been the new issues which have been most sensitive to the change in atmosphere while seasoned securities in most cases have been rather steady near recent highs. However, Treasury obligations have dropped off a bit with the thirty-year 3¼s losing 7/16s of a point in the two weeks ending November 16 to close at 103½ while the Victory 2½s have declined by ⅞s of a point.

The change in the market's temper, evident in the past two weeks, was only to be expected in view of the current rise in demand for funds. In the corporate field, sale of $600 million of American Telephone convertible debentures via rights to shareholders is proceeding apace while there have been other sizeable utility and industrial obligations, either offered or soon to be released. New issues of state of local governments have also been heavy with $473.3 million worth in October, an all-time record for the month. Biggest requisitions on available funds are those being made by the Treasury which recently sold $2.2 billion of eight-year 2¾% bonds and is in the process of refunding $10 billion of fourteen-month 2⅛% notes due on December 1. Holders have been offered their choice of either a new 12½ month note paying 1⅞% or of a 2½% five-year bond originally issued in February of this year. $6.5 billion of the maturing security are held by the Federal Reserve Banks and they usually show a preference for short-term obligations. Other holders should find the longer term bond attractive, especially as it is selling at a ⅜ point premium in the open market. Completion of this refunding operation will be the Treasury's fifth move this year towards lengthening the maturity of the national debt, a commendable effort but one which does its bit towards absorbing the supply of longer-term funds available for investment.

TRADE—Retailers are now experiencing a rise in sales that is usual at this time of year. In the week ending Wednesday, November 11, they were able to better the dollar value of sales for the comparable 1952 period by about 2%, according to estimates by Dun & Bradstreet. Sales were helped by colder weather which heightened demand for warm winter clothing. Food sales also rose but interest in household goods was somewhat below that of a year ago.



Retail sales in October came back strongly from September levels according to preliminary estimates by the Commerce Department which indicate a 6% month-to-month gain. This would place last month's sales 1% ahead of the corresponding 1952 month.

INDUSTRY—November has started on a quiet note with industrial output steady at levels about 5% under the year's high. The MWS Business Activity Index stood at 191.5 in the week ending November 7, virtually unchanged from levels of two weeks earlier but a step down from the year's high of 202.3 reached early in July. In comparison with a fortnight ago, the latest week saw lower output of coal and steel. Freight car loadings also declined. There was a pick-up in production of electric power and paperbaord during the period and crude oil runs to stills also showed improvement.

COMMODITIES—Average commodity prices in primary markets have been quite steady of late and the Bureau of Labor

(Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Oct.	3.9	4.1	4.1	1.6
Cumulative from mid-1940	Oct.	526.0	522.1	472.7	13.8
FEDERAL GROSS DEBT—$b	Nov. 11	275.0	273.4	264.9	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Nov. 4	54.0	54.7	53.0	26.1
Currency in Circulation	Nov. 11	30.5	30.4	29.9	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Sept.	58.4	51.1	52.3	16.1
344 Other Centers—$b	Sept.	94.3	91.6	88.2	29.0
PERSONAL INCOMES—$b (cd2)	Sept.	285.8	287.0	276.4	102
Salaries and Wages	Sept.	196	197	185	66
Proprietors' Incomes	Sept.	49	49	53	23
Interest and Dividends	Sept.	23	23	21	10
Transfer Payments	Sept.	14	14	13	3
(INCOME FROM AGRICULTURE)	Sept.	16	16	21	10
POPULATION—m (e) (cb)	Sept.	160.2	160.0	157.4	133.8
Non-Institutional, Age 14 & Over	Sept.	111.8	111.6	109.9	101.8
Civilian Labor Force	Sept.	63.6	64.6	64.0	55.6
unemployed	Sept.	1.2	1.2	1.4	3.8
Employed	Sept.	62.3	63.4	62.3	51.8
In Agriculture	Sept.	7.3	7.3	7.5	8.0
Non-Farm	Sept.	55.0	56.1	54.7	43.2
At Work	Sept.	59.6	58.5	59.7	43.8
Weekly Hours	Sept.	40.0	43.1	43.0	42.0
Man-Hours Weekly—b	Sept.	2.38	2.52	2.57	1.82
EMPLOYEES, Non-Farm—m (lb)	Sept.	49.6	49.4	48.9	37.5
Government	Sept.	6.7	6.5	6.6	4.8
Factory	Sept.	13.8	13.9	13.5	11.7
Weekly Hours	Sept.	39.6	40.5	41.2	40.4
Hourly Wage (cents)	Sept.	1780	177.0	169.0	77.3
Weekly Wage ($)	Sept.	70.49	71.69	69.63	21.33
PRICES—Wholesale (lb2)	Nov. 10	109.9	109.9	110.7	66.9
Retail (cd)	Aug.	210.2	210.1	211.8	116.2
COST OF LIVING (lb2)	Sept.	115.2	115.0	114.1	65.9
Food	Sept.	113.8	114.1	115.4	64.9
Clothing	Sept.	105.3	104.3	105.8	59.5
Rent	Sept.	126.0	125.1	118.3	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Sept.	14.0	14.2	13.6	4.7
Durable Goods	Sept.	4.9	4.9	4.5	1.1
Non-Durable Goods	Sept.	9.1	9.3	9.1	3.6
Dep't Store Sales (mrb)	Sept.	0.80	0.85	0.82	0.34
Consumer Credit, End Mo. (rb2)	Sept.	27.6	27.4	23.4	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total **	Sept.	22.4	22.4	24.5	14.6
Durable Goods	Sept.	9.6	9.5	12.3	7.1
Non-Durable Goods	Sept.	12.8	12.9	12.2	7.5
Shipments—$b (cd)—Total**	Sept.	24.9	25.4	23.7	8.3
Durable Goods	Sept.	12.0	12.6	11.5	4.1
Non-Durable Goods	Sept.	12.9	12.8	12.2	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Sept.	79.3	78.7	73.4	28.6
Manufacturers'	Sept.	46.4	46.2	43.2	16.4
Wholesalers'	Sept.	10.6	10.4	9.9	4.1
Retailers'	Sept.	22.3	22.1	20.3	8.1
Dept. Store Stocks (mrb)	Sept.	2.5	2.6	2.4	1.1
BUSINESS ACTIVITY—1—pc	Nov. 7	191.5	191.0	189.5	141.8
(M. W. S.)—1—np	Nov. 7	235.4	234.8	229.0	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 267)

Statistics Index of such prices in the week ending November 10 was unchanged from the previous week at 109.9% of the 1947-1949 average. This compares with a level of 110.7 a year ago. Farm products rose a miniscule 0.3% in the latest week as higher prices for most grains, soybeans, eggs, cotton, fresh fruits and vegetables more than offset lower prices for livestock. Processed foods fell 0.6% with declines in meats, butter, cheese, flour, raw sugar and cottonseed oil.

* * *

Expenditures for **NEW CONSTRUCTION** which have been a big support to business activity in recent months have come through again in October, with spending for this purpose at $3,223 million, a record for the month, although down seasonally from September's $3,290 million. The October figures are 4.2% ahead of a year ago, according to a joint report by the Commerce and Labor Departments. Private construction was valued at $2,113 million in October which was 5.3% ahead of last year, although residential building at $1,045 million was 0.6% under a year ago. Private nonresidential construction amounted to $516 million, a smart 17% ahead of last year with commercial building the feature, marking up a 70.5% gain. Public utility outlays for construction in October came to $423 million, up 12.8% from a year ago. Public construction was valued at $1,110 million or 2.1% over October, 1952. In this category, highway building was up 9.1%.

* * *

American businessmen are engaged in a sharp competitive fight for the consumer dollar if advertising expenditures are any indication. The Printers' Ink index of spending for **NATIONAL ADVERTISING** rose in September to 524% of the 1935-1939 average, from 504 the previous month and 456 in September of last year. Network television made the best year-to-year gain topping last year by 26% while newspapers posted an 18% improvement. Outdoor advertising was up 15%, magazines 8% and business papers 5%. The only loser was radio which ran 2% under a year ago.

New orders for **FREIGHT CARS** dropped sharply in October to 1,705 from the 3,914 cars ordered in September, the American Railway Car Institute and the Association of American Railroads have announced in a joint report. At the same time deliveries of new freight cars improved further in

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	Sept.	232	235	228	174
Mining	Sept.	167	167	175	133
Durable Goods Mfr.	Sept.	303	309	290	220
Non-Durable Goods Mfr.	Sept.	195	198	194	151
CARLOADINGS—t—Total	Nov. 7	748	781	829	833
Misc. Freight	Nov. 7	371	385	398	379
Mdse. L. C. L.	Nov. 7	69	71	75	1,566
Grain	Nov. 7	53	57	53	43
ELEC. POWER Output (Kw.H.) m	Nov. 7	8,398	8,362	7,807	3,266
SOFT COAL, Prod. (st) m	Nov. 7	8.8	9.1	10.0	10.8
Cumulative from Jan. 1	Nov. 7	389.1	380.3	392.2	44.6
Stocks, End Mo.	Sept.	81.0	78.0	83.3	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Nov. 7	6.1	6.0	6.6	4.1
Gasoline Stocks	Nov. 7	144	143	121	86
Fuel Oil Stocks	Nov. 7	51	52	54	94
Heating Oil Stocks	Nov. 7	136	135	120	55
LUMBER, Prod.—(bd. ft.) m	Nov.7	256	253	255	632
Stocks, End Mo. (bd. ft.) b	Sept.	8.3	8.1	8.4	7.9
STEEL INGOT PROD. (st) m	Oct.	9.5	8.9	9.8	7.0
Cumulative from Jan. 1	Oct.	95.0	85.5	74.0	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Nov. 12	252	153	412	94
Cumulative from Jan. 1	Nov. 12	13,270	13,018	14,309	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Nov. 7	266	257	243	165
Cigarettes, Domestic Sales—b	Aug.	35	30	36	17
Do., Cigars—m	Aug.	498	490	493	543
Do., Manufactured Tobacco (lbs.)m	Aug.	18	16	18	28

PRESENT POSITION AND OUTLOOK

October to a new high for the year of 8,727, quite a jump from the 5,706 cars delivered in September. While manufacturers are building cars at a rapid pace this has the effect of cutting orders on hand and the backlog of cars on order on November 1 fell to 35,171 from 42,198 the previous month. A year ago the order backlog amounted to 90,708 cars.

* * *

Manufacturers' shipments of **PASSENGER CAR TIRES** fell 16.2% in September to 6,277,8266 tires from 7,493,225 the month before according to data compiled by the Rubber Manufacturers Association, Inc. Production also had to be cut and amounted to 6,081,726 tires which was 5.1% under August output. With production under shipments, inventories in the hands of manufacturers fell slightly to 10,494,158 tires but were still substantially above the 7,294,828 tires on hand a year earlier.

* * *

Sales of the **GAS UTILITY INDUSTRY** are still beating 1952 figures and in September such sales were 1.1% ahead of a year ago. The rate of increase is slowing down however as is evident from the fact that the September improvement over the corresponding 1952 month was far below the 9.8% year-to-year gain established in the first nine months of this year.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, total consumer credit. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 cnters. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

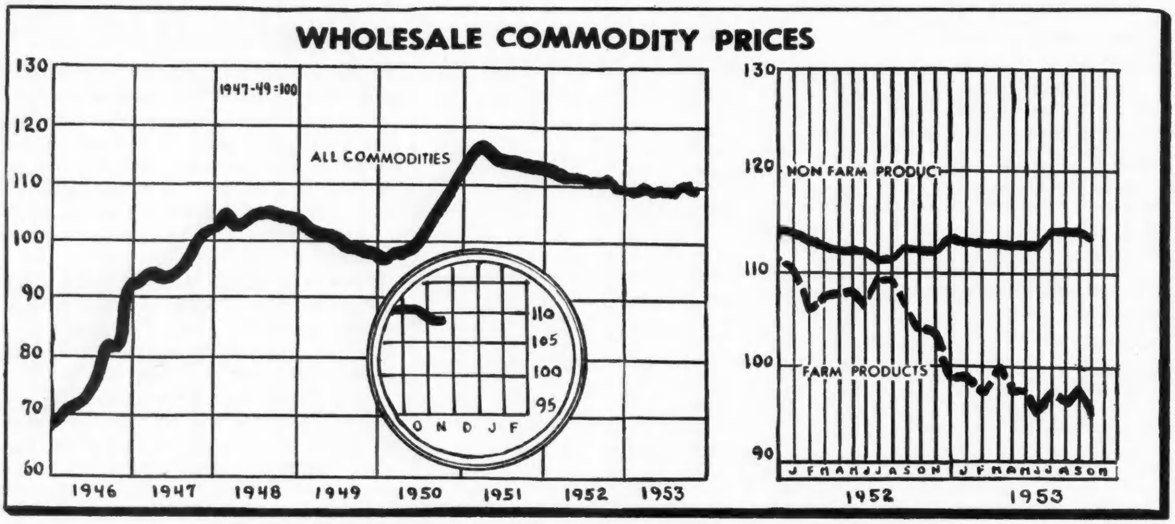
No. of Issues (1925 Cl.—100)	1953 Range High	1953 Range Low	1953 Nov. 6	1953 Nov. 13
300 COMBINED AVERAGE	215.5	177.2	191.2	190.4
4 Agricultural Implements	263.3	184.1	189.2	189.2
10 Aircraft ('27 Cl.—100)	415.6	330.3	387.2	380.1
7 Airlines ('27 Cl.—100)	693.9	499.1	512.1	512.1
7 Amusement	95.5	76.4	79.9	83.3
10 Automobile Accessories	289.4	213.8	245.1	245.1
10 Automobiles	49.4	39.0	43.2	42.3
3 Baking ('26 Cl.—100)	28.0	23.7	24.2	24.2
3 Business Machines	377.4	311.4	337.1	329.8
2 Bus Lines ('26 Cl.—100)	212.8	170.2	211.0	212.8A
6 Chemicals	396.9	337.9	369.3	365.4
3 Coal Mining	15.4	10.0	10.3	10.7
4 Communications	69.3	58.6	61.7	61.7
9 Construction	72.3	57.9	62.7	62.7
7 Containers	519.4	456.9	490.5	490.5
9 Copper & Brass	175.4	125.3	147.2	145.6
2 Dairy Products	99.6	82.3	96.8	96.8
5 Department Stores	63.2	55.3	57.7	57.7
5 Drugs & Toilet Articles	235.2	203.8	217.3	215.0
2 Finance Companies	410.0	341.8	394.7	398.8
7 Food Brands	200.4	185.0	190.8	190.8
2 Food Stores	127.1	113.0	127.1	125.9
3 Furnishings	79.2	59.6	61.1	61.8
4 Gold Mining	760.0	535.3	541.9	561.8

(Nov. 14, 1936, Cl.—100)	High	Low	1953 Nov. 6	1953 Nov. 13
100 HIGH PRICED STOCKS	133.5	114.4	123.7	123.0
100 LOW PRICED STOCKS	260.5	203.7	219.6	219.6
4 Investment Trusts	112.7	93.1	99.7	100.8
3 Liquor ('27 Cl.—100)	967.8	811.1	875.6	866.4
11 Machinery	240.6	181.0	203.9	203.9
3 Mail Order	128.6	101.0	104.6	107.0
3 Meat Packing	101.7	78.7	84.0	85.7
10 Metals, Miscellaneous	284.5	198.4	211.4	208.8
4 Paper	474.8	394.9	443.7	452.6
24 Petroleum	463.4	376.5	408.6	404.0
22 Public Utilities	194.4	173.8	192.5	192.5
8 Radio & TV ('27 Cl.—100)	36.9	29.4	31.1	29.4Z
8 Railroad Equipment	64.1	49.1	52.7	52.7
22 Railroads	53.2	41.8	44.9	44.4
3 Realty	51.5	42.3	49.1	48.6
3 Shipbuilding	299.6	228.7	299.6	295.0
3 Soft Drinks	407.5	339.0	366.4	369.8
11 Steel & Iron	151.4	122.8	137.1	137.1
3 Sugar	59.8	47.1	47.7	47.7
2 Sulphur	625.9	525.5	566.9	572.8
5 Textiles	162.2	104.6	111.3	109.6
3 Tires & Rubber	89.7	70.4	83.0	82.1
5 Tobacco	105.2	90.8	97.1	91.7
2 Variety Stores	319.5	291.8	294.9	294.9
16 Unclassified ('49 Cl.—100)	125.7	97.0	102.9	104.1

R—Revised. A—New High for 1953. Z—New Low for 1953.

Trend of Commodities

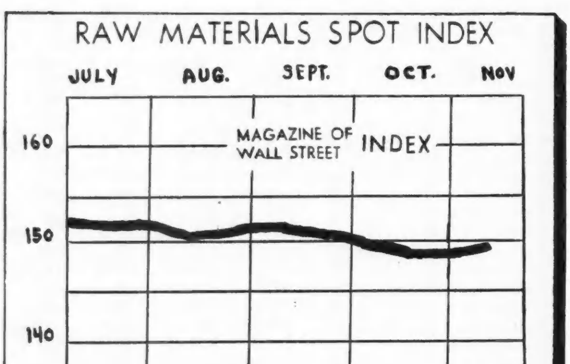
Most commodity futures moved higher in the two weeks ending November 16 and the Dow-Jones Commodity Futures Index gained 1.27 points to close at 158.76. The Government loan-support program is playing an increasingly important role on the supply side of many farm commodities while a more sanguine attitude towards business prospects has also bolstered prices. May wheat rose 2½ cents in the two weeks ending November 16 to close at 204½. The CCC reports that a little over 350 million bushels of wheat have been placed in the loan through mid-October and this compares with 312 million bushels on the same date last year. In addition the CCC owns 427 million bushels of wheat from previous years. The Government estimates that the carryover on July 1, 1954 will approximate 800 million bushels. After subtracting the 777 million bushels now in Government hands, this would leave only 23 million bushels of free wheat even if no more went under supports. Of course demand may not be as large as the Government has estimated but on the other hand there will undoubtedly be further sizeable entries of wheat into the loan. May corn gained two cents in the two weeks under review to close at 154½. Here again loan entries are way ahead of last year although the season is young yet and it appears that a good deal of the corn carryover will end up in Government hands. Soybeans were especially strong in the fortnight ending November 16 and the January option gained 12 cents. The outlook is for a total supply of 263 million bushels and this compares with last season's consumption of 275 million bushels.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

	Date Nov. 16	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	87.7	86.9	88.8	91.1	53.0
9 Foodstuffs	93.2	93.6	93.1	85.4	46.1
3 Raw Industrial	84.0	82.4	85.9	95.1	58.3

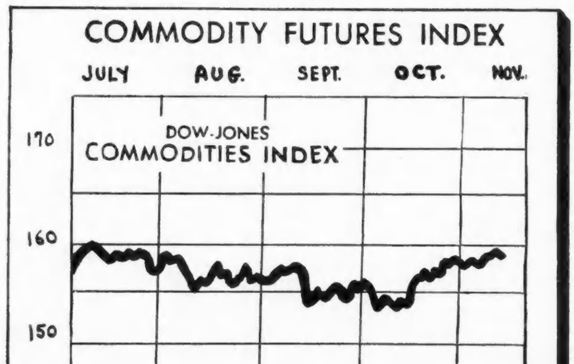
	Date Nov. 16	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	89.4	87.6	95.1	107.8	54.6
4 Textiles	87.4	87.1	91.0	93.5	56.3
4 Fats & Oils	70.6	68.6	60.7	58.4	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.9	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953	1952	1951	1945	1941	1939	1938	1937
High	170.1	192.5	214.5	95.8	74.3	78.3	65.8	92.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Keeping Abreast of Industrial and Company News

Gone from the average household are the copper-bottom clothes boiler, the wood or coal burning cooking range, and its companion piece, the old-fashioned sad iron that was placed atop of it. Modern science promises further ease for the homemaker. It envisages the "electronic dream home" in which electronic devices prepare the meals, provide the daily newspaper, and in fact do just about everything except provide the wherewithal to pay the usual household running expenses. To illustrate the significance of electronic developments, Dr. C. B. Jolliffee of the **Radio Corp. of America,** offers a picture of the future home equipped with electronic devices, now known to be technically feasible. Among them are phosphor-coated walls responding to "black light" or ultra-violet rays, electronic air conditioners with no moving parts, an electronic stove operated by remote control and capable of preparing meals on a pre-set schedule, and a magnetic recorder of TV programs. There will even be electronic highway controls capable of driving the family automobile.

Along with these developments, although yet some distance away, will be automobiles with headlamps that will not be annoying to approaching drivers, and yet these lamps will be 10 times as powerful as those now in use. This is but one of the expectations of **General Electric Co.'s** illuminating engineer and nationally recognized automotive lighting expert. Other forecasts include infra-red lamps for cars that will keep windshields free of ice and snow, as well as from condensation on the inside; "black light" illuminating fluorescent knobs on switches and other controls; instrument panels will be lighted by electroluminescence, and indicator lamps will light up to show trouble in the form of a burned-out headlamp, low oil pressure, high water temperature, low oil level, and many other troubles that can't now be readily detected but when allowed to continue cause heavy repair bills.

Foster Wheeler Corp., early this month began limited operations at its new steel fabricating plant, located at Mountaintop, Pa., 9 miles south of Wilkes-Barre. It is expected that by the first of next year, necessary new personnel will be fully trained and the plant will have reached full operation, turning out varied fabricated equipment such as heat exchangers for nuclear power, sections of oil towers and pressure vessels, and equipment for jet engine regenerators, some of it weighing up to 140 tons. Among the most modern fabricating tools with which the plant is equipped will be an 8,000-ton hydraulic beam press capable of bending steel plate 8 inches thick. Another outstanding tool will be a 2-million-volt X-ray generator, housed in a structure of its own having 4-foot thick poured concrete walls. This machine will X-ray 12-inch thick steel and photograph weld metal with unprecedented clarity of detail, exposing any minute flaw that may be present in the metal. The new plant, costing $5 million, is part of an $8 million expansion and re-tooling program initiated three years ago.

A story that has come down several generations is that when Alexander Graham Bell first heard his assistant's voice over his invention he remarked, "What miracle has God wrought?" Everyone today might ask the same question in this age of modern science that is turning yesterday's fantasies into today's or tomorrow's realities. Unfortunately, some of the great progress now being recorded is not born out of a direct desire to benefit mankind, but through necessity to protect our inheritance of life and liberty from the attacks of minds warped by the indoctrination of false ideologies. Out of this necessity there is approaching an era of automatic flight with pilotless aircraft and missiles. To compete in this field, **Lockheed Aircraft Corp.,** announces it plans to establish a separate new division to deal exclusively in the designing, developing and producing equipment falling within this general category. Lockheed has already installed a great volume of aircraft electronics, as well as designed and re-designed for practical application a variety of electronics gear. One of its outstanding developments is the P2V Neptune, crammed with still-confidential devices that make it the Navy's prime aerial weapon for locating and destroying submarines.

A song of fairly recent vintage had a line in it that ran "there's an awful lot of coffee in Brazil." This is undoubtedly true, and perhaps just as well from the viewpoint of coffee drinkers. According to **American Can Co.,** market study, sale of coffee in vacuum pack cans is expected to reach a record-breaking total of more than one billion pounds in the current year. Such volume is creating a great demand for the vacuum pack cans the use of which has already risen 44% over the 1940 volume.

Current news carries glad tidings for the camera enthusiast who likes to take pictures of the family gathered at the festive board or under other conditions requiring the use of flashbulbs. **General Electric Co.,** has introduced a tiny flashbulb that is expected to revolutionize the picture-making habits of the nation. The M-2, as it is catalogued, provides sufficient light for good black-and-white picture results at distances up to 15 feet when used with existing reflectors, fast film, and box-type cameras. The bulb itself is so small that a dozen of them can be carried easily in a shirt pocket or purse, and is said to be the least expensive.

This is a fast moving age. Travel time has already been reduced, in some instances, from days to hours, and in others, from hours to minutes, as a result of the aircraft engine manufacturers and the airframe builders together, developing planes that wing their way through the ether at faster and still faster speeds. It has been only within the last few weeks that an Air Force Chief of Flight Test Operations at the Edwards Air Force Base in California, zoomed across the nearly 9-mile course at speeds ranging from 742.6 to 767.2 miles per hour in a **North American Aviation, Inc.,** F-100 Super Sabre, powered by a J-57-7 turbo jet engine, a product of the Pratt & Whitney Division of the **United Aircraft Corp.**

It often happens that a "catch-word" or a phrase first employed in an advertisement or a slogan eventually becomes fixed in our language. Frequently, they carry enough power to wake us up to a truth that has long been ignored. A good example of this is use of "never underestimate the power of a woman" first used by one of the popular women's magazines. The male of the species has gradually come around to recognize this power. It is having a tremendous influence on many a package and products designer. As a matter of fact, the **Nash-Kelvinator Corp.,** fully aware of women's influence in the selection of a new automobile for the family, called upon Pini Farina, Europe's foremost designer of custom-built cars, to apply his talents to design Nash Motors Division's cars for 1954, with the result that the entire line is highlighted by advanced continental styling.

Perhaps the discovery is not quite as startling as many others in this "age of wonders", but at last a use has been found for apricot pits. The **Square D Co.,** is using about 80,000 of these pits monthly to help make plastic insulating components of electric switches. The pits, pulverized to the consistency of bird seed, are fed into a special machine which "sand blasts" the resultant product against rough edges of the plastic parts in a final finishing operation. The company states that after experimenting with hundreds of materials for use in this operation, it found that apricot pits provided the right answer as other materials were either too abrasive or too soft.

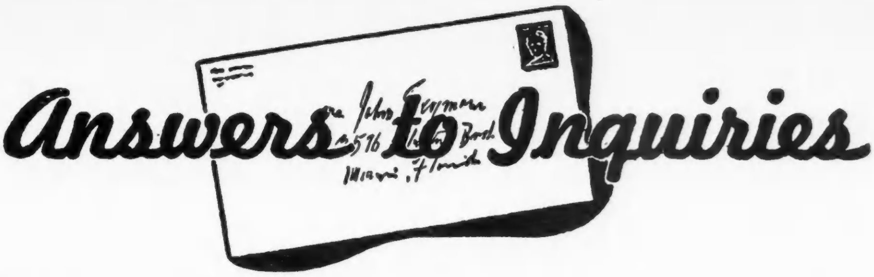
With 300-mile-an-hour or faster aircraft fleets in operation, the commercial airline companies find it necessary to also speed up a good many of their other operations, streamlining, especially their communications system, connecting reservation centers. **Trans World Airlines,** for instance, now has a teletypewriter communications system that is as automatic as dial telephoning. The equipment will step up by 75% the speed of passenger reservations and company operational messages. The New York switching center is geared to flash reservations and messages to TWA's sales and airport offices in 21 world centers abroad. Through approximately 110 automatic units, with elaborate switching centers in Kansas City, Mo., and New York, links are provided connecting 45 other TWA cities in the U. S. Pointing up the speed and efficiency of the new installation, the company states a message sent from Kansas City on a clear circuit is received almost simultaneously in New York or any of the other domestic stations to which it has been directed.

The largest single installation of continuous welded rail ever put into service at one location, enough to construct 112 miles of track, will be used in the construction of the **Pennsylvania Railroad's** new Conway freight classification yard near Pittsburgh. All tracks in these yards, exclusive of switches and crossovers, will be of welded construction. Approximately 36,000 welds will be required as sections of reconditioned rail, which have been reclaimed from heavy main lines service but still with many useful years of life for yard service, will be welded together end to end to make long stretches of rail for the yard's 150 tracks. The capacity of the yard will be more than tripled. When it is completed, 8,000 cars a day can be classified.

National Distillers Products Corporation and **Panhandle Eastern Pipe Line Company** have just dedicated the new $50 million National Petro-Chemicals Corporation plant, which produces hydro-carbons and industrial chemicals from natural gas. The giant plant located in former cornfields near Tuscola, Illinois, is owned 60% by National Distillers which manages and operates it, and 40% by Panhandle Eastern Pipe Line Co. Including two integrated plants of U.S.I. Chemicals Division, the new comlex comprises seven major producing units. Industrial alcohol is used as a raw material or processing aid for literally hundreds of products essential in war or peace. This Petro plant is the greatest step so far taken by National Distillers in its long range program to diversify its manufacturing operations. In addition, a site adjacent to this plant is now being prepared for still another major unit. This will turn ethylene into the wonder compound, polyethylene. This unit will be in operation by the second quarter of 1955.

A swinging clamp attachment which can reach out to either side of a narrow aisle to grasp or tier loads behind material already stacked, is now available for use with all gas and electric-powered Carloader models of fork lift trucks manufactured by **Clark Equipment Company.** While the unit can also be adapted for heavier machines, the maximum capacity for the attachment is 600 pounds, regardless of truck capacity. This is due to the side stability problem inherent in a long, overhanging boom. The clamp device, designed especially for use where aisle space is at a premium and where load removal and tiering is selective, has a full 180 degree traverse. Compact design for the device is achieved by telescoped construction of the dual slide clamp arms. The feature also offers maximum strength and alignment of reach. Slide arms are made of specially treated rolled alloy steel.

A packaging workshop on wheels, completely equipped to demonstrate packaging food products in a new aluminum-foil container, is touring the nation for **Reynolds Metals Company,** to introduce the firm's new refrigerated and frozen food container, the Reynolds Wrap-Pak. The demonstration unit, housed in a gleaming new aluminum trailer, is equipped with a Hayssen Automatic Machine, for demonstration packaging of food items in the Wrap-Pak, which consists of an aluminum-foil tray, serving as the actual food container, a board cover and a Reyseal overwrap, which may be attractively color-printed. The combination of the aluminum tray and the foil-laminated overwrap gives unmatched eye appeal, excellent protection against dehydration, and reduces freezing time up to 30 per cent.



The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Louisville Gas & Electric (Ky.)

"I am seeking a stable utility operating company and therefore, would like to receive recent earnings data on Louisville Gas & Electric Company (Kentucky). Will you also include recent construction expenditures."

G. N., Racine, Wisconsin

Operating revenues of Louisville Gas & Electric Company (Kentucky) and subsidiary companies for the 12 months ended September 30, 1953, amounted to $39,129,841, as compared with $35,604,007 for the 12 months ended September 30, 1952. Net operating income, after operation expenses, maintenance, taxes, depreciation, etc., was $7,494,588 for the 12 months ended September 30, 1953, compared with $6,734,049 for the corresponding period ended September 30, 1952.

Net income, after deductions for all interest charges, amortization of plant acquisition adjustments, etc., amounted to $5,981,083 for the 12 months ended September 30, 1953 compared with $5,264,707 for the corresponding period of 1952.

For the 9 months ended September 30, 1953, operating revenues amounted to $29,095,99? compared with $26,208,988 for the corresponding period of the previous year. Net operating income for the first 9 months of 1953 amounted to $5,556,797, compared with $4,978,791 for the corresponding period of 1952, and net income was $4,436,118 for the first 9 months of 1953 compared with $3,835,211 for the corresponding period of 1952.

The balance of net income after deducting dividends on preferred stock for the 12 months ended September 30, 1953, was $4,905,063, which was equivalent to $3.27 per share based on 1,500,000 shares outstanding as compared with $4,188,688, based on 1,300,000 shares outstanding, which was equivalent to $3.22 per share of common stock for the corresponding period ended September 30, 1952. The balance of net income after deducting dividends on preferred stock for the 9 months ended September 30, 1953 was $3,629,103, which was equivalent to $2.41 per share as compared with $3,028,196, which was equivalent to $2.32 per share of common stock for the corresponding period of 1952, based on shares outstanding at that time.

Construction expenditures for the 9 months and the 12 months ended September 30, 1953 were $11,065,000 and $14,984,000 respectively.

Dividends are currently at 45 cents quarterly on the common shares.

Bigelow Sanford Carpet Company

"Has Bigelow Sanford Carpet Company resumed dividend payments on the common stock yet? Please report recent sales volume and earnings for the company." *S. P., St. Louis, Missouri*

Bigelow-Sanford Carpet Company, Inc., for the first 9 months of 1953 reported net sales of $53,714,000 an increase of 11% over sales of $48,375,000 for the first 9 months of 1952. Net profit for the first 9 months of this year was $2,708,000 after provision of $175,000 for federal income taxes. The provision for federal income taxes is after reduction in the provision for such taxes of $1,400,000, representing the effect of the first 9 months portion of prior year's loss carry-forward. The 9 months profit, after preferred dividends, equals $2.59 per share of common stock outstanding. Operations for the same period last year resulted in a net loss of $2,584,000.

Third quarter net sales this year were $16,862,000, or 17% ahead of sales of $14,382,000 for the same period last year. Net profit for the third quarter of 1953 amounted to $604,000 after a federal income tax credit of $300,000, reflecting the effect of the third quarter portion of prior year's loss carry-forward. The third quarter profit with this tax credit was equal to 56 cents per common share. Operations for the third quarter of 1952 resulted in a net loss of $778,000.

At the regular meeting of the Board of Directors on November 5, the regular quarterly dividend of $1.12½ per share on the preferred stock was declared payable December 1, 1953. The directors took no dividend action on the common stock. The last dividend was 25 cents per share on March 1, 1952.

Seeger Refrigerator Company

"As an old subscriber of your publication, I would appreciate receiving information as to Seeger Refrigerator Company's recent annual earnings and also its working capital position and prospects over the near term."

R. S., Raleigh, North Carolina

Net sales of Seeger Refrigerator Company in the 12 months ended August 31, 1953 totalled $116,742,097, up 31.5% from the preceding year's $88,781,380. This set a new sales record for the ninth consecutive year and a new earnings-before-taxes mark for

the seventh straight year. Excess profit taxes had a marked effect on company's earnings because of the increased volume of business in the years since these taxes went into effect.

Gross earnings before taxes and other charges were $12,878,011 as against $11,759,753, and net after taxes was $5,169,664 as compared with $4,685,346 the year before.

Based on 1,120,500 shares of common stock outstanding, the year's earnings were equal to $4.61 a share, compared with $4.21 a share in 1952.

Provisions for state and federal income taxes amounted to $7,410,000, as against $6,950,000 a year ago. The current year's tax provisions equalled $6.61 a share.

Net working capital at August 31, 1953 was $21,504,563, up from $19,912,236 a year before. Current assets totalled $41,968,548 and current liabilities $20,463,985, a ratio of 2.05 to 1, compared with current assets of $34,719,583, current liabilities of $14,807,347 and a ratio of 2.34 to 1 at August 31 a year ago.

Seeger continues to manufacture the Coldspot line for Sears Roebuck & Company, including household refrigerators, farm and home freezers and dehumidifiers, as well as display cases, commercial refrigerators and icemakers for the Frigidaire Division of General Motors Corporation. Seeger's production of refrigerators for Montgomery Ward & Company has been discontinued.

The company has developed a new line of upright freezers. The research and development facilities of the company were effective in producing improvements at reduced cost and increased efficiency on both refrigerators and freezers during the year. Numerous changes and refinements in the icemaker also will result in lower costs, increased efficiency and overall improvement.

Both prime and sub-contracts for aircraft equipment were received during the year and production on defense orders will continue through the current fiscal period. The company's Evansville, Indiana plant produces empennages and other equipment for jet aircraft and its St. Paul, Minnesota plant makes external drop fuel tanks and other items for jet fighter planes.

Through mutual agreement with the navy, the company terminated its contract for a new constant speed hydraulic drive transmission for airplanes, "since under present conditions it appears there would be very little production of this item." However, the company stands ready to enter this field again in case of emergency.

Prospects over coming months continue favorable.

Dividends including extras totalled $2.10 a share in 1952 and 50 cents quarterly has been paid thus far in the current year.

Columbus & Southern Ohio Electric Company

"I have recently become a subscriber to your publication and find it very informative and valuable. Please furnish the recent 12 month earnings of Columbus & Southern Ohio Electric Company." *A. C., Danbury, Conn.*

Electric revenues of Columbus & Southern Ohio Electric Company for the 12 months ended September 30, 1953 were 13.9% greater than those for the preceding 12 months. This increase reflects a 10.5% increase in kilowatt hour sales of electricity and the benefit of commercial and industrial rate adjustments made effective in August 1952.

Consolidated net income for the 12 months ended September 30, 1953 amounted to $5,410,703. This is equal after preferred dividend requirements to $2.27 for each of the 2,001,360 common shares outstanding; and it compares with consolidated net income of $4,409,955—$1.98 a common share after dividend requirements—reported for the 12 months ended September 30, 1952.

For the 3 months ended September 30, last, consolidated net income of $1,270,405 was earned. Equivalent after preferred dividend requirements to 53 cents a share on common stock, this compares with consolidated net income of $1,117,507, or 50 cents a share on the common stock after preferred dividend requirements, earned in the September quarter of 1952. Electric energy sales to all classes of customers increased in the latest 12 months. Energy sales to residential customers showed the largest increase, namely 13.4% compared with 11.9% increase for the industry. This reflects a 4.1% growth in number of customers and a 9.4% increase in consumption.

Columbus Transit Company, a subsidiary, sustained a net loss of $63,000 in the 12 months ended September 30, 1953 compared with a profit of $234,000 for the comparable 1952 period. This loss reflects the effect of the 11-day strike in July 1953 and wage increases granted prior to a fare increase from 10 cents cash or ticket, to 15 cents cash, four tickets for 50 cents—effective August 22, 1953.

Dividends in 1952 totalled $1.40 per share and $1.45 has been paid this year with the latest quarterly dividend now 40 cents per share. These dividends refer to the common stock as there are two classes of preferred stock outstanding.

Spencer Chemical Company

"I am interested in receiving late earning data of a relatively small chemical company, Spencer Chemical Company. I understand this company is active in industrial and agricultural chemicals."

M. A., Duluth, Minnesota

Spencer Chemical Company reached new highs in both net sales and net income in its fiscal year ended June 30, 1953. Net sales amounted to $30,837,455 compared to $28,771,733 in the year previous.

Net income after taxes amounted to $4,661,177, an increase of approximately 10% over the $4,223,433 earned in the year ended June 30, 1952. Earnings per common share after provision for taxes and preferred stock dividends amounted to $4.01 compared to $3.61 last year.

During the year the company paid regular quarterly dividends of 55 cents per common share or a total of $2.20 per share compared to $1.80 per share the year before.

Approximately $11 million was expended for construction during the fiscal year. The additions at the Jayhawk, Henderson and Chicago Works and the construction of the new Vicksburg Works are proceeding approximately on schedule and will be completed by the Fall of 1953 within the original estimates of cost.

Engineering and preliminary construction work is underway on the company's new polyethylene plant, to be located at Orange, Texas.

According to the president of the company, the outlook for the current year is "substantially encouraging. Substantially all of the anticipated production of the company's major products has been committed under contract for the entire year." He further stated, "with the increased production and sales, and accelerated

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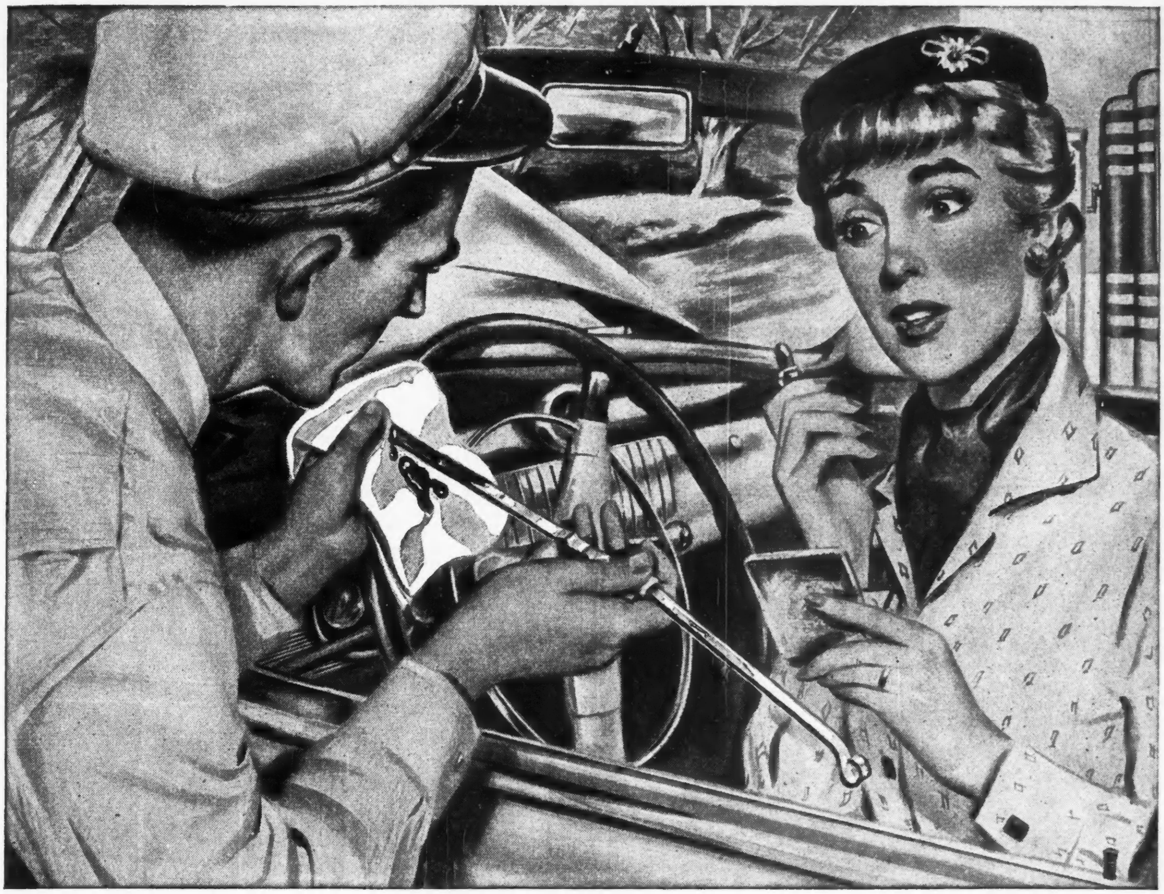


You're the Best-Groomed Woman in the World . . . But

Lady! Look at the Oil You've Been Using!

THAT'S what puzzles us, Mrs. America. You are pretty, beautifully groomed, shining with cleanliness. You spend more money on soap, cosmetics and toothpaste, vacuum cleaners, floor wax and furniture polish than any other woman in the world.

Your curtains are whisked down and washed, almost before they need it. No cluttered-up closets, "catch-all" dresser drawers or dirt swept under rugs in your home.

Yet—there's that dirty oil under the hood of your car.

Maybe you've never seen that unpleasant fluid being drained from the crankcase. Or, maybe you think all oil is supposed to look that way. Well, it's *not* supposed to! Here's why unclean oil is bad for your car:

As you know, anything that's dirty will wear out faster—whether it's your child's dresses or your hardwood floors. An automobile motor is no different. The acid, carbon and dust which must be present in over-used oil not only slow down your motor, they literally wear it out.

Frequent motor cleaning is as important as frequent house cleaning.

Just as a reminder to yourself, won't you clip out this note and put it on your household bulletin board?—

Take car to Cities Service station for good, thorough motor cleaning with Cities Service Solvent, and a change to fresh Triple HD Koolmotor Oil. Do this regularly.

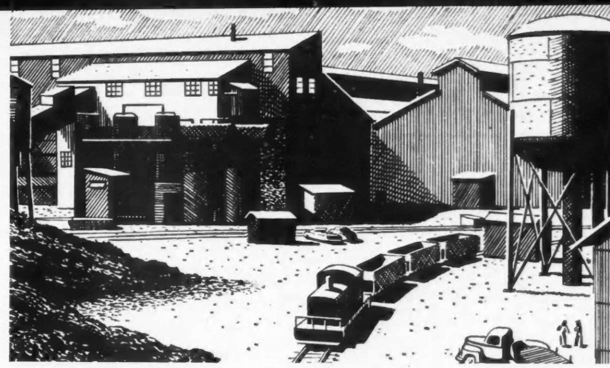
CITIES SERVICE

Quality Petroleum Products

Few industries require the tremendous raw material reserves and operating facilities that are essential in steelmaking. For America to be amply assured of this indispensable metal, the nation's steel companies must provide for the distant future as well as today.

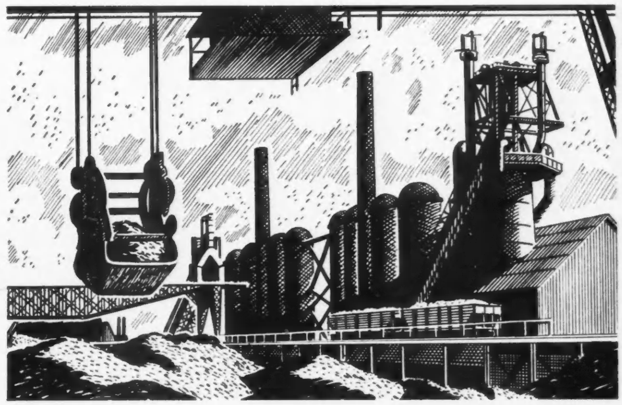
In building for tomorrow, National Steel has consistently followed a long-term program designed to keep its capacity and its products in step with the nation. Its mines, ships, furnaces and mills are among the largest and most modern in the world. This year, National Steel will achieve an annual steelmaking capacity of 6,000,000 tons—an increase of more than 50 per cent since the end of World War II.

Here, then, is National Steel—a team of seven great divisions perfectly coordinated to produce highest quality products. Completely integrated, entirely independent, National is one of America's most progressive steel producers.

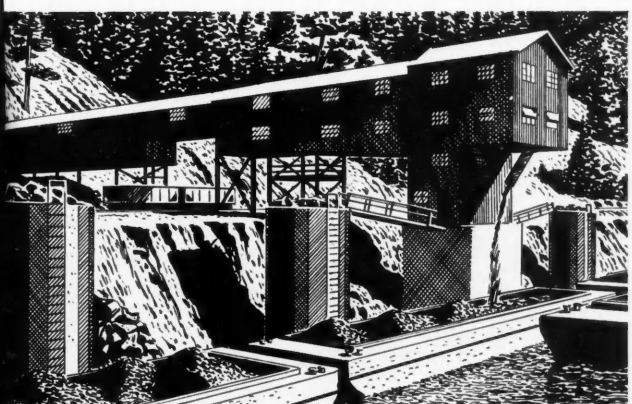


STRAN-STEEL DIVISION—A unit of Great Lakes Steel, with plants at Ecorse, Michigan, and Terre Haute, Indiana. Originator and exclusive manufacturer of the famous Quonset buildings. Other principal products include Stran-Steel Long-Span buildings, Stran-Steel nailable framing for the building industry and Stran-Steel flooring for trucks and truck trailers.

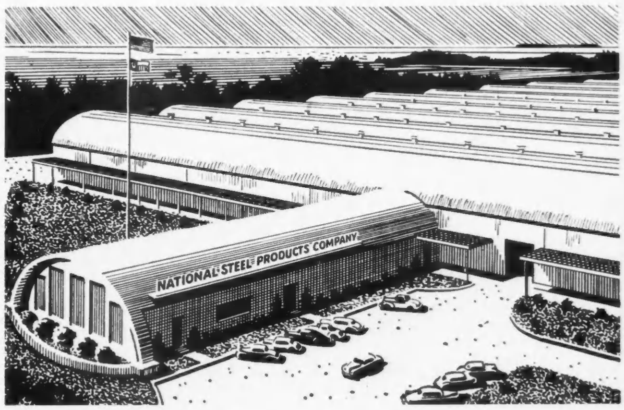
HANNA IRON ORE COMPANY, Cleveland, Ohio—Iron ore properties and mines in Minnesota, Wisconsin and Michigan. In addition, National Steel is participating in the development of the important new iron ore field in Labrador-Quebec, where great iron ore reserves will augment the future supply of this vital raw material—the basic ingredient of steel.



THE HANNA FURNACE CORPORATION—Blast furnace division of National Steel located in Buffalo, New York. Its four furnaces augment the pig iron production of National Steel's eight other blast furnaces in Detroit, Michigan, and in Weirton, West Virginia. In addition, this division is a leading producer of all grades of merchant pig iron for foundry use.



NATIONAL MINES CORPORATION—Coal mines and properties in Pennsylvania, West Virginia and Kentucky, supplying metallurgical coal for National's needs. Resources have been further expanded by acquisition of a substantial interest in two large mining operations in the Pittsburgh area.



NATIONAL STEEL PRODUCTS COMPANY, Houston, Texas—One of the foremost steel distributors in the Southwest, serving a seven-state area. The huge plant and warehouse—a Quonset structure fabricated by the Stran-Steel Division—provides five acres of floor space under one roof.

NATIONAL STEEL CORPORATION

GRANT BUILDING NATIONAL STEEL **PITTSBURGH, PA.**

AN INDEPENDENT COMPANY OWNED BY MORE THAN 19,000 STOCKHOLDERS

How New Decision Limits Stock Dividends

(*Continued from page* 243)

undoubtedly believe that by taking their stand on stock dividends they are acting in the best interest of stockholders, they may actually be assuming a function which runs counter to the interest of the corporation, as an operating and financial unit.

The theory behind the advantage of paying stock dividends as a supplement to cash dividends, in lieu of cash dividends exclusively, is that it enables the corporation to maintain a larger amount of cash reserves with which to develop the business, than would be the case otherwise. At the same time, stockholders are rewarded in times of prosperity by receiving the welcome addition of small amounts of stock, in addition to cash.

Thus, both corporation and stockholder find the payment of stock dividends advantageous. If corporation officials should, however, now conceive that as a result of the Exchange regulations, they must reconsider their policies in respect to stock dividend payments, they would be faced with two alternatives. One is that they might find it necessary, in the event the stock dividend had to be cut or omitted, to raise the cash dividend. This would have the effect of reducing the corporation's cash reserves at a time of expansion. This, in turn, could compel the company, in order to fulfill its program, to borrow from the banks or undertake the sale of securities. The other is, in order to avoid such a contingency, the company might find it necessary to reduce or abandon its stock dividends and thus deprive the shareholder of his legitimate claim to an equitable share of the company's earnings.

From the Stockholder's Viewpoint

A glance at the table will show that if most of the companies listed were deprived of the opportunity of paying an adequate amount of stock dividends, or, in fact, were permitted to pay none at all, the amount of cash dividends would scarcely be considered satisfactory by stockholders when compared with actual earnings. Yet, if corporate financial strength is not to be impaired, the stockholder might be compelled, under the circumstances, to content himself with this obviously inadequate return.

Obviously, the situation has many ramifications and the adverse possibilities should be deeply considered by the Exchange authorities. The fairest judgment would seem to be that they should not take any action that would interfere with the smooth operations of the corporations, as they are likely to do in this matter of regulating the conditions under which stock dividends are paid. In extreme cases, of course, the Exchange would be warranted in a stand, but only if notice were given to the company in ample time so that stockholders would not be unduly alarmed. In the meantime, stockholders in companies which may be involved in this new, developing situation should become acquainted with the essential facts which may affect their companies' policies on stock dividend payments.

The New Wave of Mergers

(*Continued from page* 263)

creased to approximately 56.2%. Although W. R. Grace & Co., has made no statement as yet, it is believed quite likely that eventually it will merge Davison into its own organization through an offering of its own stock for that of the chemical company.

It will be interesting to see what other developments in the way of mergers, acquisitions and consolidations are proposed during the next few months. Right now, investor interest is centered on the moves that General Motors may make. For sometime it was understood that GM was working on something big, but the surprise came with the announcement of the corporation that it planned to sell $300 million in new debentures to finance continuing capital expenditures and to increase working capital.

Undoubtedly, the future will witness many important developments in the way or mergers and consolidations as corporations lay plans for the years ahead. It is of vital importance that investors keep abreast of the changes that take place and be able to understand their meaning in relation to their investment holdings.

Exchanging 25 Static Issues for 12 Promising Ones

(*Continued from page* 256)

to get out of them for the foreseeable future.

Another mistake in switching is to attempt to secure in the new stock the same amount of dividend return as on the stock sold. This is natural as investors do not like to lose income, if they can help it. Yet, if the problem is studied even only briefly, it will be seen that if the investor has decided to sell the stock, it is indeed because he is disappointed in it and he has a loss. But by that time, his stock is likely to be selling on a very high yield basis, generally a prelude to a dividend cut. Obviously, if he switches into a stock in a similarly precarious position just in order to obtain an equivalent yield, he has done nothing to improve his position. As a matter of fact, any stock which the investor purchases of definitely better investment quality than the issue sold, is likely to offer a smaller yield. This, however, should not deter the investor if his choice of stock is a correct one, as income, though important, is secondary to safety of principal—or, at least, a reasonable facsimile thereof.

The lines are not so clearly drawn in the case of the medium and higher-priced shares. Switching operations in these groups, which include the great bulk of sound stocks, may be conducted more freely since investment quality is not so likely to be sacrificed in the exchange. The simple equation here is the question of price. If the exchange can be made on a more or less even basis of quality, the transaction may be profitable almost automatically whenever the spread in price is sufficient to warrant the commitment. This happens quite frequently as between individual members of given stock groups, owing to their tendency toward independent movements in the market. The wideawake investor can take advantage of these differences in price between issues of similar merit.

Investors often show a preference for switching from one stock to another in the same industry. Where the holdings are definitely improved thereby, there is no reason why such action should not be taken. This, however, is con-

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Exchanging 25 Static Issues for 12 Promising Ones

(*Continued from page* 278)

tingent on the industry's being in a strong position. If the reverse is true and the industry in a weak position there is no discernible advantage in switching.

In the table on the opposite page to the beginning of this article we have listed 25 stocks representing companies which are either in static or receding industries. Practically all of the companies tabulated have had declines in earnings of varying proportions since 1951, with the consequence that among the dividend-payers, the necessary margin to provide continuity of dividends is narrowing.

As will be noticed from the column giving the price rance since 1951, practically all of the stocks listed in this part of the table are selling close to the lowest point reached in this period. Most of these lows were made in recent months. The temptation for investors seeking to establish tax losses would be to accept these losses at current prices. But, to illustrate the point on "timing" made earlier in this article, to limit their size as far as possible these losses should be taken in stronger periods of the market. This does not necessarily mean that proportionately higher prices could be obtained but rather that it would prevent the investor from sustaining still further losses if he were to sell in a weak market. By waiting to sell in a stronger market, he may avoid this additional risk.

Investors interested in the reasons for our listing these 25 securities as being more or less doubtful will see that practically all of these companies are in a marginal, and hence, not thoroughly strong competitive position. Also, the fact that they have not been able to make earnings progress since 1951, a period when industry generally was flourishing, is not prepossessing in their favor.

Some of these companies are disadvantaged by being in industries struggling against adverse economic factors; the gold companies, for example, with their fixed prices and heavy operating costs. Also, the shipping companies which are burdened by high costs as well as rising competition from foreign lines, not to mention difficulties with the government on account of disputes on the amount of subsidies required. The metal companies have been affected by price slumps though this has not yet materially affected the large concerns in this field. Among individual companies, American Banknote has not yet recovered from the disappearance of the Oriental market; Collins & Aikman, furnisher for the auto industry, has been affected by competition from branches of the textile industry, especially the newer synthetics.

In general, the predominant feature of the companies listed in this part of the tabulation is the failure of earnings to recover in the past several years. Ostensibly, earnings recovery would be further postponed in the event the current commencing recession should develop on an even wider scale.

For the reasons given, admittedly quite briefly on account of space limitations, it would seem that ordinary stockholders in the companies mentioned might improve their position through switching. We have listed 12 stocks which qualify for this purpose. A brief description of each follows:

American Can Co. As the largest manufacturer of tin containers, this company has made continuous progress in expanding plants and new processes, and has opened up important new markets. The stock is of the long term growth variety. Since the yield is low, it would appeal mainly to investors to whom current income from securities is not a price consideration.

American Gas & Electric Co. This important holding company controls an integrated number of electric light and power companies operating in the Midwest and the "border" states. Its record of growth in recent years has been impressive. Serving a rich agricultural and industrial community, its potentials are attractive. The yield is about on a par with other good-grade utilities under today's market conditions.

Central & Southwest Co. This is a public utility holding company operating mainly in Texas and Oklahoma. It serves an important agricultural region but, of equal importance, some new industrial sections which are in an active phase of development. Net income has more than doubled since the end of World War II. Owing to some dilution through new stock offerings, as in April this year, per share earnings do not reflect the steady advance of the company's earning power. With expansion fairly well under way, future earnings on a per share basis should be more closely attuned to actual income. The yield is somewhat lower than that attainable on other good utilities but this should not be a deterrent for patient holders.

Chicago Corp. Originally a closed-end trust, the company has been for some years entirely engaged in the petroleum business. It has an aggressive management with wide-spread interests in potential oil lands in Canada and the Williston Basin, as well as important holdings of natural gas, which it either sells direct to pipe line companies or utilizes in a process of transformation into distillates. The stock is of a speculative order but end earnings thus far have not as yet been established on a basis to conform with the company's longer-term potentialities. However, from a fundamental standpoint, it has considerably more promise than many other issues selling in its price class.

C.I.T. Financial. As the leader in the consumer credit field C.I.T. Financial occupies an impressive position. The remarkable postwar earnings record is illustrated by successive increases of from 51 cents a share in 1946 to an estimated $3.25 a share this year. In 1952, earnings were $2.65 a share. (This stock was completely covered in our Nov. 14 issue.) At current prices of around 29, the stock offers the attractive yield of 6.2%.

Dow Chemical. This is one of the great industrial concerns of America and the stock is among the leaders in the "growth" group. Aside from the fundamental business of industrial chemicals, plastics and magnesium great interest in Dow's long-term potentials has been stimulated through the company's research in the field of atomic energy. On a cash yield return, the stock would appeal mainly to investors to whom current income is not an important consideration. In recent years, however, cash dividends have been supplemented by stock dividends of 2½%.

Florida Power Co. This utility operates mainly in central Florida

(*Please turn to page* 282)

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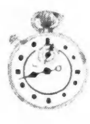
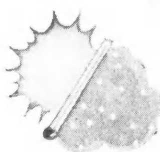


1. FASTER STARTS: Makes your engine *easier* to start—even at temperatures well below zero! Saves tempers, saves batteries! (Fact: special-grade Gulfpride H.D. Light actually flows at 35° below zero!)



2. ALL-WEATHER PROTECTION: Gulfpride H.D. Light has the tough protective film that means *constant* protection from cold start to full engine heat. Safeguards your engine on long trips and on winter's warmest days.

3. KEEPS ENGINES CLEAN: Protects against sludge deposits, corrosion, rust and wear—problems that are at their worst in cold weather.

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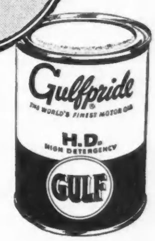

Gulf Oil Corporation • Gulf Refining Company

Ask for new Gulfpride H.D. Light *for winter!*

Exchanging 25 Static Issues for 12 Promising Ones

(*Continued from page* 280)

and the west coast of that State, and, in addition, through a subsidiary serves a community in south Georgia. The steady growth of Florida, both as a tourist attraction, and as an industrial region of future importance contributes to the appeal of the stock from the long-range standpoint.

Int. Tel. & Tel. Corp. As reflected in the moderate increases in the dividend rate since 1951, this company has made steady progress. I.T.&T. is in process of reorganization simultaneously with expansion, having acquired several new companies in recent years. Undoubtedly, it will take some time longer before fundamental steps now being taken to improve efficiency of operations are completed, but recent progress in this respect leads to encouragement. The stock is of a speculative order as yet but should improve in time.

National Lead Co. Interest in this important building supplier has been heightened owing to new developments in titanium products, in which this company is taking a leading position. Titanium is recognized as possessing revolutionary aspects in technological processes of many kinds. The company has also been widening its industrial base. National Lead may now be considered a growth stock with well-defined long-range prospects. As is characteristic in situations of this kind, the yield is low but this is offset by the potentialities mentioned.

Pfizer (Chas.) & Co. This is one of the leaders in the ethical drug industry, with a prime position in the field of antibiotics. The company has been aggressive in strengthening its marketing outlets by increasing diversification in products. On a comparative basis, it has had a better recent sales record than some other ethical drug manufacturers, and has not been materially affected by transient troubles in the industry. For those interested in diversifying their portfolios, this stock recommends itself from the standpoint mainly of long-range holding. The yield is not sufficiently high for the purposes of ordinary investors. Nevertheless, for sericus investors, this stock is worth while as being among the most outstanding in its group.

Radio Corp. of America. This Company has had amazing growth since the end of World War II. It occupies a highly important place in the electronics industry and TV. As a leader in the new field of color television, it is expected to participate fully in the anticipated expansion of this industry over coming years. Present unsettlement in the TV industry may be a deterring factor on the stock for the time being but longer-range considerations are more important.

Westinghouse Electric Co. Notwithstanding present uncertainties in the consumer end of the electrical goods business, hte company's long-range prospects command favorable attention. The company's physical expansion, as well as provision for new outlets, has been very extensive with an increase of about 50% in capacity as the end result of the program. While earnings have been increasing, need for adequate working capital to accomplish expansion purposes, dictates a conservative dividend policy. The stock may well be included, however, in any long-range investment program.

Dissecting 5 Key Companies

(*Continued from page* 252)

anced producing properties and strategically situated raw materials provided a tough combination to beat. The corporation has accounted for about one-quarter to one-third of the nation's producing capacity over the years.

With the benefit of vigorous management, growth has kept pace with that of the industry as a whole in the postwar years. Stress has been placed on maintenance of integration, assuring adequate raw materials as well as balanced mill facilities. Production has been geared to match the needs of consumer markets as far as practical. Efforts have been made to achieve balance in steel finishing capacities and in the types of products made with an eye to the most promising markets as well as the best profit margins obtainable.

Because of its size, U. S. Steel has asserted its claim to leadership in virtually all phases of its operations. In establishment of labor policies, for example, the industry has looked to "Big Steel" and its executives for vital decisions. Policies on pricing are not so regularly determined by the leader as in years gone by, but it is doubtful whether smaller independents could make price changes "stick" without the acquiescence of U. S. Steel. In short, top ranking in physical assets as well as in executive personnel has gone a long way toward cementing the corporation's position at the head of its industry first achieved through a consolidation of smaller units. At no time in its history, has the company been so aggressive as in recent years to develop new sources of raw materials, vital to its production and to enlarge its facilities with the most modern and advanced equipment.

New Trend to Automatic Machinery

(*Continued from page* 260)

Milling Machine, Monarch Machine Tool, National Acme, and others. Ex-Cell-O Co., and Food Machinery & Chemical, both of whom have done much in achieving automation in food packaging and processing, as well as special equipment makers such as American Machine & Foundry, should benefit from the trend in automation.

The need for electrical and electronic controls should create a new and substantial volume of business for companies like Minneapolis-Honeywell, Bendix Aviation, Cutler-Hammer and Sperry. The list of companies that could possibly share in the growth of industrial automation is a long one. There are the manufacturers of conveying, transferring and power transmission equipment, among which Link-Belt stands with considerable prominence; the makers of steel mill equipment such as Mesta, and machinery for the chemical, textile, paper, tires, and other mass-production products.

In the accompanying tabulation we have listed 18 companies that are likely to benefit from an increasing volume of business as a result of the demand for new equipment created by automation in industry. Inclusion in the list of a particular company is not necessarily to be construed as a recommendation since the issues vary greatly from the standpoint of earnings, investment rating, dividend yield and growth potentials. There are, however, several

(*Please turn to page* 284)

New Trend to Automatic Machinery

(*Continued from page* 282)

issues in the group which are worthy of consideration on the basis of potentials ensuing from their normal sales volume, net earnings and the possible gains resulting from the increase in demand for new automation equipment. These companies are listed below, in alphabetical order, with a brief description of each, as follows:

Chain Belt Co., is an important manufacturer of chain and power transmission systems for practically all basic industries; many types of engineered material-handling conveyors and equipment, and steel roller chain and allied power transmission equipment used in many types of timing, driving, and conveying functions for general industrial applications. It also manufactures truck-mounted and portable concrete mixers, demand for which should continue at a high level under present construction and road building programs. Other products include self-priming centrifugal water pumps and commercial food waste disposal grinders.

Throughout its long history there have been but three years in which Chain Belt failed to show a profit. Net income for the 9 months to July 31, this year, was equal to $3.16 a share, as compared with $2.49 a share in the like period of 1952, when there were approximately 37,000 less shares outstanding. Net for the full 1952 fiscal year equalled $3.69 a share. Dividends on these shares — there is no preferred stock—have been paid without interruption during the last 52 years. The current rate of distribution is $2.50 a share annually, returning a yield of 8.1% at recent price of 30⅝ for the shares.

Ex-Cell-O Corp., is a manufacturer of packaging machinery, precision machine tools for metal-working industries, including aircraft and automobile, as well as precision parts and assemblies for many industries, including builders of reciprocating and jet airplane engines and manufacturers of airframes.

Net sales, in an uninterrupted uptrend since 1946, will, it is estimated, establish a new record high in the current calendar year, approaching, on the basis of first 9 months' figures, $95 million, as against $19.3 million in 1946. Net earnings for the common shares, the only stock Ex-Cell-O has outstanding, is expected to equal $7.25 a share this year, compared to $7.35 a share in 1952, after adjustment for the 10% stock dividend paid in April, 1953, and allowing for a heavier EPT payment than the $4.90 a share paid under this tax in 1952.

During the postwar years to the close of last year approximately 65% of total net earnings have been ploughed back into the business. Net working capital increased during this time from $6.3 million to slightly more than $17 million, with shareholders' equity increasing from $12.2 million to $27.8 million. Management has followed a conservative dividend policy, holding the annual dividend rate to $2.00 a share, plus 10% in stock, this year and last, notwithstanding the high level of per share earnings. It appears reasonable to believe that a more liberal rate might be established in the coming year. The stock is currently selling around 48.

Link-Belt Co., is one of the foremost manufacturers of power transmission systems, conveying equipment, elevating and processing machinery for a wide variety of industrial and other operations. Because the mechanical handling of materials is one of the most important factors in the continuing expansion of modern industry, the company holds an important place as a provider of equipment essential to the moving of large quantities of material with minimum effort, and speeding up and synchronizing operations.

Net sales in 1952 were at a record high of $126.5 million, with net earnings of a little more than $8 million, the equivalent of $4.82 a share on the outstanding common stock, Link-Belt's sole capital obligation. Sales in the first 9 months of the current year ran slightly ahead of those in the corresponding months of 1952, although net for the 1953 period, equal to $3.30 a share on 1,672,248 shares, dipped under $3.53 earned in 1952 first 9 months on 1,661,717 shares. Indications are that full 1953 net will approximate $4.40 a share against dividend requirements of $2.60 a share annually, on the basis of current quarterly rate of payment.

Link-Belt has continued to expand operations through further diversification and increased production facilities through replacements and additions, capital expenditures for these purposes totalling almost $7 million in 1952. Since the end of 1943 to the close of last year, its net working

(*Please turn to page* 291)

Here for '54 . . . THE GREATEST ADVANCE SINCE THE MIRACLE OF TELEVISION

PHILCO DEEP DIMENSION

TELEVISION PICTURE

The 1954 sensation of the TV world is here: Philco Deep Dimension! Now, you see not just *part* of the picture with precious background detail lost in blur and diffusion, but *all* of the picture in pinpoint detail. Developed by Philco, it sets a new standard of viewing enjoyment for the entire television industry, and sets the stage for small screen TV set owners everywhere to *trade-up* to a big screen Philco.

Powered by a Revolutionary New TV Chassis

PHILCO *HF-200*

Adds New Miles to TV Reception

New Clarity! New Realism! New Depth of Detail!

Giant-Size 24-inch screen with Deep Dimension 335 sq. inch picture—unmatched for true-to-life realism. It's now on display at Philco dealers—the Model 6106. Yours on Low Easy Terms, or choose from a wide selection of other Philco television models . . . new for 1954.

Now on Display at Philco Dealers Everywhere

The Business Analyst

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has hurt the sale of black and white sets, even though the indications are that the cost of color TV, at least initially, will be so high as to lift it out of popular reach. Unsold stocks of TV sets are reported to be very large, and there is no doubt about the fact that dealer price cutting is widespread.

Christmas buying in the next few weeks undoubtedly will provide a lift to appliance sales of all types. But, as business falls off in the new year and competition increases, trimming of manufacturers' prices is not at all unlikely. The extent of any cuts is dependent to some degree upon whether the recently noted decline in national income—the first in many months—is extended.

As We Go To Press

(*Continued from page* 246)

the position of asking for the election of partisans; *he would be on a real crusade for a program which is essentially good,* in any event it's the best one now available. Democrats, too, must think so; *a large percentage of them voted for his recommendations to congress.*

In the meantime, it might be well for republican mouthpieces to consult the President before presuming to put him on record. In Connecticut the democrats have had their biggest year in many, in both city and town elections. The Republican State Chairman had keyed the campaign to the theme: *"A republican vote is a vote for Ike." In Wisconsin the same argument was pounded home.* A reporter's question at a White House press conference (a "loaded question," Press Secretary James C. Hagerty describes it) *put the President on record, unenthusiastically, behind all republicans.*

What seems to be overlooked is that the President cannot possibly be behind "all" republican nominees for office. To make widespread use of what he said with respect to 1953 elections when 1954 campaigns roll around *could misrepresent him in some instances.* Ike's major goal is to develop and put over a program that is good for the country. *Coming up for election next November will be some republicans who fought his program in congress with a vigor that might have been reserved for democrats.*

For Profit & Income

(*Continued from page* 265)

formed by merger in 1929. Earnings of Can have held up somewhat better under depression conditions, falling 28%, for example, from 1937 to 1938, against 45% for Anchor Hocking. But if there is any 1954 shrinkage in pretax income in either case (it seems doubtful), Anchor Hocking will be heavily tax-cushioned, American Can only slightly so. The indicated investment values are priced more cheaply for Anchor Hocking. Yet this is offset greatly by Can's greater staying power over the long pull. The choice depends on what the investor wants.

Turn?

Pabco Products is an old West Coast maker of linoleums, paints and building materials. After continuous payments since 1923, dividends were omitted late in 1952, reflecting shrinkage in earnings which apparently was due largely to management errors of omission and commission. These are now under correction by new top executive leadership. Earnings reached a low of 8 cents a share in the quarter ended last March 31. But in six months through September they rose to 87 cents a share, from 64 cents a year ago. The stock's postwar range has been 30-10⅞, with the low recorded in 1952. This year's lowest level was 11½; and the stock has edged up to a current level of 15.

Selection

The following stocks are called to the attention of investors interested primarily in income return and above-average market stability: American Chicle, American Telephone, Beatrice Foods, Beneficial Loan, Melville Shoe, Pacific Lighting and Public Service of Indiana. Current yields range from roughly 5.2% to 6.6%.

(*Please turn to page* 292)

Will Fabulous Expectations for Williston Basin be Realized?

(*Continued from page* 241)

operating agreements on approximately 6,500 acres. No commercial oil production has yet been discovered in that state.

Shell Oil has in excess of 8 million acres under lease throughout the Wiliston Basin. In mid-1951, Shell made its first discovery in the area near Richey in Dawson County. In the latter part of that year a second discovery was made in the Pine Unit area, Wibaux County, Montana, and in early 1952 the original discovery was extended by successful completion of a well in the Glendive area of Dawson County. Later in 1952 another discovery was made in the Little Beaver area, Fallon County, followed by a successful completion in McCone County close to the original Richey strike. Recently a new discovery was made in the Cabin Creek area of Fallon County, one of the largest in the Williston Basin thus far. And Shell, early this year, completed a successful discovery in the Midale area in Saskatchewan. At the present time, Shell's exploratory and development program is among the most active in the Williston Basin. It is anticipated that the area will eventually become one of Shell's more important sources of crude supply.

Probably the most important oil development in the Williston Basin thus far has been the Nesson Anticline development of Amerada Petroleum. In July of 1953, output from nine fields on the anticline averaged 14,000 barrels daily, from 174 producing wells, of which Amerada accounted for 11,000 barrels daily from 150 wells. The Beaver Lodge and Tioga fields account for most of the production of all companies. More recently, Amerada has opened a new oilfield in North Dakota, about 100 miles south of Beaver Lodge, known as the Fryeburg area. This test proved oil in the Madison Lime, the principle producing horizon on the Nesson Anticline thus far and is now drilling in deeper zones.

Texas Co. has developed a group of oilfields in the vicinity of Glendive, Eastern Montana, second in importance only to the Nesson Anticline in North Dakota. The group includes the Glendive, North Glendive, Deer Creek and Cedar Creek fields, all in Dawson county. These appear to be potentially prolific fields from the Ordovician horizon. Incidentally, Northern Pacific shares in these fields through land holdings in the area. Estimates of proven and possible proven reserves in these fields combined have been as high as 300 million barrels of oil.

No other estimates of reserves of any other field in the Williston Basin have been made available to the writer.

The Poplar and East Poplar fields are being developed principally by C. H. Murphy Jr., Carter Oil (a wholly-owned subsidiary of Standard of Jersey) and Phillips Petroleum. These fields are in Roosevelt County and are north of the Richey field in Dawson County. They are productive from one or two horizons of Missippian age.

One of the newest oilfields in the Williston Basin in Eastern Montana is the Dynneson or Sydney Field, Richland County, a deep discovery by Sun and Phillips jointly, at a depth of 12,585-12,605 feet. The well is still testing but has indicated flow of more than 700 barrels of 48-gravity crude oil daily. This field appears to be on a trend between the Nesson Anticline, North Dakota, and Baker-Glendive arch, Eastern Montana, and possibly correlating with the Fryeburg pool in Billings County, North Dakota, roughly paralleling the Nesson and Baker-Glendive features.

In the Saskatchewan portion of the Williston Basin in Canada there are numerous producing fields. They include Gull Lake of Anglo-American & Gridoils, Ltd., the Wapella field of Imperial Oil, the Midale field of Shell, the Centaur, Fosterton, Ratcliffe and Success fields being developed by Socony-Vacuum Oil Co., Woodley Petroleum and Southern Production Co. and the Forget, Rapdan and Wapella fields of the Tide Water Associated, Ohio Oil, Columbian Carbon and Atlantic Refining group.

These fields are shut in or are producing well below potential, much like other fields of the Williston, owing to lack of pipeline outlet facilities.

Finally, Manitoba has one proven field, the Virden, and there is an additional relatively small field across the line in Bottineau County, North Dakota, the Westhope field. Principal operators at Virden are Standard of California, Superior Oil of California and Canadian Pipe Line Co.

As a tourist attraction, the Williston Basin never will vie with Florida and Southern California but we heartily recommend the tour for those who have whined that there are no more frontiers to conquer. They might even get oil in their shoes.

The above is an up-to-the-minute survey of the great Williston Basin and it is not difficult to see that this immensely rich field will take years to develop. Investors will take note that in the meantime the important companies operating in this field are going to have to depend on their other great properties, strewn all over the world, to bring in the revenues on which dividends depend. Some day, in the more distant future, they will be able to reap the benefits of their companies' developments in the Williston Basin.

An X-Ray of National Business Conditions

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conditions subside (assuming no demise of the farm parity system) and to recover relatively rapidly when conditions (particularly cotton prices) improve again.

Of all twelve Federal Reserve Districts, the St. Louis District, which includes parts of Mississippi, Tennessee, Illinois, Missouri and Arkansas, is the most diversified. It reaches from the southern cotton belt to the industrialized North, and it cuts west into the great cattle belt. For this reason, it averages out very much the national picture.

Income in the area has risen about as much as total national income, percentagewise. Department store sales have recently slid off considerably, but for the year as a whole they are running about parallel to the national total. Construction activity is stable, and unemployment is quite low. The area has gained from the industrial boom north of it, and suffered from the severe decline in the cattle lands west of it, for which it serves as a market, but it is fundamentally stable.

The Tenth Federal Reserve District, with headquarters in Kansas City, covers part or all of Kansas, Nebraska, Wyoming, Colorado, Oklahoma, and the Western edge of Missouri. With the Texas district that lies south of it, it forms the nation's beef cattle pasture. And with the Minneapolis district north of it, it forms the wheat "breadbasket" of the nation. It thus has combined two of the farming activities most seriously hit by depression over the past two years. Preponderantly agricultural, it suffers little from unemployment. But income in the

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An X-Ray of National Business Conditions

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area is only barely above a year ago, and declining rapidly. In the fourth quarter, incomes in the area are undoubtedly running below a year ago.

Both of the area's major commodities, however, have already suffered substantial price deflation, which in turn has evoked considerable government concern, in the case of cattle, and considerable government purchasing, in the case of wheat. Further declines in the prices of these commodities, and hence in income in the area, are no longer easy to envision. Barring a very pronounced recession that would shake its modest but vigorous industrial component, the District is not likely to suffer much of a further decline. Like its mixed brother to the East it is fundamentally stable, as long as agriculture is stable. Given a recovery in cattle prices, which is possible over the next few years, it would show considerable improvement.

The Minneapolis District, which comprises northern Wisconsin, Minnesota, Montana and the Dakotas, has, like the Kansas City District to the south of it, enjoyed little gain in income over a year ago, largely because of the collapse of wheat and beef prices. Income in the area is now declining slowly, and retail trade has been extremely weak; recently, weaker than in any other district. The area has, in addition to agricultural industries, a farm machinery industry, which has been severely struck by the prolonged decline in farm incomes and prices. Employment in its small fabricating industries has been well maintained, but declines in food processing (particularly of dairy products in Wisconsin and Minnesota) have provided considerable slack.

Diversification An Aid

Montana provides a striking instance of the effect of heavy concentration of an area in one agriculture commodity. Farm income in the state has declined about a third in the last two years, as a result of the collapse of beef prices, while agricultural income for the nation as a whole is off only about 10%.

The Dallas Federal Reserve District, which includes all of Texas and parts of Louisiana, New Mexico and Arizona, combines the unhappy cattle industry with several more fortunate industries, among them oil, heavy chemicals and aircraft. It should be noted that measured against pre-war, the area has shown the fastest growth in population, production and income of any Federal Reserve district. Diversification and secular growth have been sufficient in this district to offset the collapse of cattle raising as an income producer, and the area shows an income pattern similar to that of the United States as a whole. Assuming that the cattle depression has reached its trough, and even admitting some short-term weakness in the petroleum outlook, the Dallas district will in all likelihood fare better than the national average over the next several years.

The San Francisco District, which includes California, Oregon, Washington, Idaho, Nevada and part of Arizona, has enjoyed a relatively small income gain over the past year, and incomes in the area are now declining relatively sharply. Department store sales have been fair for the year to date, but they are now well off their peaks of the spring. Sales of consumer durables have been average in the northern part of the district, and poor in southern California.

Conditions in West Coast

As with the Dallas District, the San Francisco District is a growth area. Its petroleum and aircraft industries, in which wage rates are far above average, are still growing, and its apparel industry is also on the rise. Its agricultural output consists chiefly of truck crops and specialties which have not suffered like the grains of the mid-west or the cotton of the south. Its canning industry is stable and its population is rising relatively rapidly. The dependence of the northern area on lumbering activity makes it somewhat sensitive to a decline, but in general the area as a whole is likely to better the national average over the next several years. Its current difficulties seem to arise principally from a re-scheduling of defense production, and some shutdowns in its modest automotive assembly plants.

Out of the details of Federal Reserve District conditions, a broad and admittedly over-simplified pattern of prospective business trends emerges. The mature and industrialized East (the Boston and New York Districts), and more particularly the heavily industrialized eastern heartland (the Philadelphia, Cleveland and Chicago Districts) are now sensitive to recession, both because they have no substantial growth trend, and because they are concentrated in cyclical industries. The South (defined broadly to include the Richmond, Atlanta and Dallas Districts) has suffered from offsetting trends, secular growth in industrial and raw material components being cancelled out by the agricultural and textile recessions. Assuming an end of the decline in farm prices (notably for cotton), steady industrialization should provide continued growth in the near future, at better than the national rate. The nation's mid-west breadbasket (the St. Louis, Minneapolis and Kansas City Districts) have suffered most severely from the grain, dairy products and beef recessions, and here there has been no industrial offset. Assuming an end of the agricultural phase of the current adjustment, the outlook for this area is a high degree of stability. For the Far West (the San Francisco District), the prospect is for renewed growth, exceeding the growth rate of the nation as a whole.

What is Behind the Slump in Gold?

(*Continued from page* 249)

up-valuation for some time to come. This means that the gold producers, instead of agitating for a price increase, may find it wiser to concentrate on reducing production costs. Fortunately, in South Africa and elsewhere the earnings of gold companies — which have been declining steadily — may be bolstered by the addition of earnings from the processing of mine tailings for uranium. When the uranium processing plants, which incidentally do not require as much labor as the gold mines, are in full operation, the South African producers of gold will be in a position to earn some $160 to $200 million over and above their $400 million gold earnings.

Answers to Inquiries

(*Continued from page* 274)

activities in engineering and research, this year will be a busy one, and should be satisfactory to the company's stockholders, customers, suppliers and employees."

Spencer produces certain types of heavy chemicals. The primary basic product manufactured is synthetic and anhydrous ammonia, produced by combining nitrogen from the air with hydrogen obtained from natural gas and water. Products are divided into industrial chemicals, agricultural chemicals and refrigeration products. Earnings for the quarter ended Sept. 30, 1953 were 71 cents per common share against 53 cents in like quarter of 1952. For the twelve months ended Sept. 30, 1953 net was $4.19 per common share against $3.59 in previous twelve months.

Kropp Forge Company

"I would be interested in receiving late pertinent data in regard to Kropp Forge Company."

I. L., Des Moines, Iowa

Kropp Forge Company reported for the fiscal year ended July 31, 1953 net sales of $30,019,337 and this is an increase of approximately 10% over the previous year which had also set a company record. Net profits after all charges including taxes were $664,389 or 54.9 cents per share. The company had greatly strengthened its financial position during the past year. A 43% increase in working capital, a 17% reduction in long term-debt and an increase in the ratio of current assets to current liabilities.

The company's continuing program of progress through expansion is being carried out by the installation of two new 50,000 pound hammers, the largest of their kind.

The company has spent much time and effort in research and development work on the forging of titanium. Considerable progress has been made along this line, producing many parts of titanium in all the forging processes. Promotion and development have been limited only by the basic shortage of this metal. The company looks forward to a great future demand for forgings of this strong, light weight corrosion resistant material.

The Hecht Company

"A friend of mine has mentioned Hecht Company with principal department store in Washington, D. C. Will you please give latest earnings and sales volume and also current asset position of the company?"

R. C., Ashland, Kentucky

Sales of The Hecht Company for the 12 months ended July 31, 1953 were $101,956,039 and this contrasts with $97,335,397 for the 12 months ended July 31, 1952, a gain of 4.7%. Sales for the first six months of the current fiscal year were $42,919,708, compared with $43,850,302 for the six months ended July 31, 1952, a decline of 2.1%.

Current assets amounting to $42,629,297 and current liabilities of $10,433,368 at the close of the current interim period contrasted with $41,091,466 of current assets and $14,309,450 of current liabilities at July 31, 1952. The ratio of current assets to current liabilities increased to 4.1 to 1 at July 31, 1953 from 2.9 to 1 at July 31, 1952.

Consolidated net earnings before Federal income taxes for the 12 months ended July 31, 1953 were $6,276,033 compared with $6,154,858 at July 31, 1952. Provision for Federal income taxes increased from $2,978,029 in 1952 to $3,336,896 for 1953 resulting in profits after taxes of $2,939,137 for 1953 against $3,176,829 for 1952. These earnings were equivalent to $3.12 a common share on 883,176 shares outstanding on July 31, 1953 compared with $4.00 a share on 784,176 common shares outstanding on July 31, 1952.

Unaudited net profits, after taxes, for the six months ended July 31, 1953 were $610,134 and after dividends on the 3¾% cumulative preferred stock, were equivalent to 59 cents a common share based on 883,176 shares. For the six months ended July 31, 1952 audited figures showed net profits of $696,450 or 81 cents a common share based on 748,176 shares outstanding on July 31, 1952.

The company is proceeding with the planning, financing and construction of a new store in the Baltimore area to be located in the Northwood Shopping Center. The construction of the 150,000 sq. ft. store is to be started in the near future and is scheduled to open in the Fall of 1954.

Dividends in 1952 totalled $1.80 per common share and the same amount has been paid in the current year.

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Answers to Inquiries

(*Continued from page* 289)

International Minerals & Chemical Corporation

"Please furnish recent earnings of International Minerals & Chemical Corporation and also working capital position and outlook over coming months."

R. T., Whiting

Net sales of International Minerals & Chemical Corporation for the first 3 months of the current fiscal year ended September 30, 1953, were $17,342,962 compared with $17,159,301 for the corresponding three months period ended September 30, 1952. Earnings after taxes for the most recent quarter were $1,046,025 equal to 41 cents per share compared with $1,064,784 or 44 cents per share in the same quarter in the preceding year. Earnings for the latest quarter were based on 2,316,199 shares currently outstanding against 2,204,885 shares outstanding at September 30, 1952.

Earnings in the latest quarter do not reflect any charge for depreciation on the new Bonnie chemical plant at Bartow, Florida since the plant is not yet in commercial production.

Earnings of International Minerals & Chemical Corporation for the fiscal year ended June 30, 1953 increased nearly 6% to $7,030,176 from $6,653,251 for the previous year.

Net sales for the year ended June 30, 1953 amounted to $88,837,446, an increase of 5% over sales of $84,570,447 in the preceding year.

Earnings were equivalent to $2.87 per common share on the 2,316,164 shares outstanding at the year-end. This compared with $2.90 per share on the 2,161,511 shares outstanding a year earlier.

Working capital at June 30, 1953, amounted to $35,438,362, an increase of $7,559,268 during the year. Cash balances and U.S. Government securities were $16,747,712 compared with $11,142,263 reported a year ago. This increase largely represents the unexpended portion of money received from the sale of debentures. Receivables and inventories continue somewhat higher because of increased volume of business.

Dividends on the common stock were continued on the same basis as the previous fiscal year in the amount of $1.60 per share.

Dollar sales of phosphate rock exceeded sales for the previous year; tons, however were slightly lower. Both shipments and profits from the sale of chemical phosphates for use by manufacturers of animal feed mixtures were improved. It is expected that the new Bonnie Chemical plant in Florida should add substantially to earnings in the future.

The outlook in the phosphate rock business both in domestic and export markets appears satisfactory.

Partly reflecting lower farm income, sales and profits of plant foods were less this year than the previous year. Production and sales of potash salts for agriculture and industry continued at maximum capacity during the year.

During the year construction proceeded on a new chemical unit at Carlsbad for the production of special high grades of magnesium oxides and hydrochloric acid, the raw material for this plant being the waste brines from the sulphate of potash chemical unit. The plant began operations in August 1953, and will be increased to capacity rapidly as the breaking-in period will permit. Construction also is nearly completed on a large pilot plant at Carlsbad for the testing and development of a new dry benefication process for potash ores.

As I See It!

(*Continued from page* 233)

from the British and French leaders. The American people have a right to wholehearted cooperation in view of their tremendous and historic post-war contributions, both in life and treasure, to the defense of free institutions everywhere. It would be wise for the visiting statesmen to recognize the strength of this feeling in the United States and to make sure their countrymen understand it.

THE ECONOMIC DEVELOPMENT OF CEYLON

Ceylon today faces a challenge. For some generations past her productivity has maintained a lead in the race with her population. Now, largely because of the virtual elimination of malaria during and since the war, the rate of population growth in Ceylon is one of the fastest in the world. The Government and the people, therefore, face the task of expanding and diversifying the country's sources of production fast enough to maintain and improve their standard of living — now among the highest in Southern Asia.

In this thorough and detailed report on Ceylon's economic potentialities, the Mission has faced up to this challenge, setting forth recommendations for a six-year development program (beginning in October, 1953) which it believes will meet the needs of the growing population and add permanent strength to the economy. These recommendations include the government's organizational and fiscal policies as well as specific development programs in the fields of agriculture, colonization, power, industry, transportation, communication, public health, education, and technical assistance.

Johns Hopkins Press $7.50

RUSSIA: WHAT NEXT?

By ISAAC DEUTSCHER

Here in this short book Mr. Deutscher sets out his views on what the course of Russian policy in the near future is likely to be. The conclusions he arrives at, however, are based not on guesswork and speculation but on a realistic analysis of the long-term trends in Soviet politics which, in Mr. Deutscher's opinion, inevitably hold the key to coming events. Only by viewing the past history of Stalin's Russia can we, he believes, reach a correct estimation of the policy her new rulers are likely to pursue.

Oxford University Press $3.00

New Trend to Automatic Machinery

(*Continued from page* 284)

capital increased from $14.9 million to $38.2 million. As of Dec. 31, last, current assets of $55.5 million compared with $17.3 million in current liabilities, or a ratio of 3.2 to one.

Dividends on the stock have been paid in every year since 1907. The issue is currently selling around 38 to yield about 6.3%.

Minneapolis-Honeywell Regulator Co., long has been known as an engineering company, emphasizing research and engineering that has proved an important factor in its attaining leadership in the field of automatic controls for heating, air conditioning, and ventilating systems, the operation of aircraft, both military and commercial, and many industrial operations. Through its Industrial Division it designs and manufactures a number of highly complex recording and controlling systems and devices, many of an electronic type. All of these activities have operated at a high rate of capacity, and in view of the increasing trend in the direction of the "automatic factory" the long-term outlook for Honeywell's industrial products appears to be exceedingly promising.

The growth of the company since the end of World War II has been somewhat spectacular. From $45.9 million in 1946, net sales have expanded to $165.7 million in 1952. Net earnings for the common stock last year equaled $3.00 a share. The current year will most likely establish a new all-time high in net sales volume which will, for the first time cross the $200 million mark, with net earnings somewhere between $3.25 and $3.50 a share for the common stock. Within the seven years to the end of 1952, $24.3 million of earnings have gone back into the business. In the same period, capital stock and surplus has increased from $23.1 million to $67 million. Dividends in varying amounts have been paid in each of the last 26 years. The current rate of payment is 50 cents a share quarterly, and this is expected to be supplemented by a 25 cents extra payment at year-end, duplicating 1952 total payout on the shares. The stock is currently selling around 66.

The Trend of Events

(*Continued from page* 232)

reflected one of the most prosperous periods in American history.

On closer analysis, however, a somewhat different interpretation follows from examination of third quarter returns. These definitely indicated that there was a change in trend for a considerable number of corporations, both with respect to sales and profits. Nor should this have been surprising, as production in a number of industries has been receding, though moderately, from end of the second quarter.

Despite current trends which are in the direction of somewhat lower activity, total 1953 profits will rank very close to the peak for any year since the end of World War II. This is paralleled by total dividend payments which will probably be about 3% higher than for 1952. These totals, however, do not reflect individual dividend adjustments. So far this year, there have been about twice as many dividend increases as decreases as a consequence of the higher earnings for the majority of corporations. The outlook for next year, however, would seem to indicate that there will be fewer dividend increases and, probably, a rise in dividend decreases mainly among the marginal companies. Most of the stronger companies which are characteristically well equipped financially should be able to continue their payments unimpaired, even though profit margins are less.

TREND OF PRODUCTION . . . Industrial production held steady in October after a slight drop of 1.3% from August to September. On the basis of latest available information, production is about the same as a year ago but down approximately 4.5% from the peak of last March. The most significant feature that emerges is that production declined in September, temporarily stabilizing in October but in these two months it usually commences to gain so that comparison is not favorable.

Principal changes in production are now taking place in automobiles, farm machinery, and some machine tols. All of these are on the down side but the changes are moderate, except in farm machinery. Generally speaking, output of durables is tending to decline. Non-durables are also declining though slightly, mostly in rayon and wool, with some evidence of moderate slackening in refined petroleum products.

According to the Federal Reserve Board, the industrial production index recently touched 232 as against 242 in March. In the article "Outlook for Basic Industries Under Adjustment", appearing last issue, is was estimated that the industrial production index may fall to between 215-220 by the middle of next year. This would be not far from the average of 1952, except for the period of the steel strike. On this basis, the comparison between current levels and those projected for mid-1954 is not too unfavorable, in consideration of the fact that 1952 was generally a prosperous year.

For Profit & Income

(*Continued from page* 286)

Paper Stocks

The paper-stock group, including paperboard products, has been sharply outgaining the general market since mid-September. Issues within it which have recently risen to new highs for the year or longer include International Paper, Champion Paper, Scott Paper, West Virginia Pulp & Paper, Crown & Zellerbach, Sutherland and Lily Tulip Cup. The reason is that the paperboard industry continues to operate at close to a capacity rate; and that most of the stocks in this field figure to gain more from EPT lapse than is likely to be lost on any probable 1954 shrinkage in pre-tax earnings.

Gas

Natural gas stocks are in materially increased investment favor, in view of the more liberal rate-making policy adopted by the Federal Power Commission in a number of cases in recent months. One of the more attractive equities in the group is American Natural Gas. Subsidiaries of the company operate a transmission and distributing pipe line system providing Texas gas to areas in Michigan, Wisconsin and Iowa. Earnings this year may be around \$3.40 a share, against \$2.34 in 1952. The dividend was recently raised to a \$2 annual basis, from \$1.80 previously; and growth of earnings suggests a good chance for some further boost in 1954. A major additional pipe line expansion is scheduled. In line with general practice in the gas industry, the bulk of the funds no doubt will be raised by bond, rather than equity, financing. The stock is currently at a new high of 37⅛; but on a yield basis of nearly 5.4%, and in relation to earnings, it is more moderately priced than most issues in this group. The company has paid some dividends in each year since 1904.